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# Reagan Vetoes Bill; Congress Acts to Restore Funding

By Fred Farris nal Herald Tribus

WASHINGTON - In a dramatic confrontation with Congress that produced a partial shutdown of the federal government, President Reagan Monday veroed what he called a "budget-busting" \$427.9-billion emergency spending.

The House shortly afterward voted 367-26 to give Mr. Reagan his requested simple extension of 1981 spending authority until Dec.

The bill was also approved by the Senate, 88-1, and the president was expected to sign it before the day ended, enabling federal agencies to resume full operations. The president, to back up his

veto, had ordered a shutdown of "all unnecessary government services" because federal spending
authority had expired at 12:01
a.m. Saturday. He had announced his veto and the government shut-down on network television at 8 a.m. Monday,

The veto, Mr. Reagan's first in his 10 months in office, precipitated a confrontation with Congress that resulted in the furlough of thousands of federal workers without pay.

### End to Stalemate Sought

Although Democratic leaders accused Mr. Reagan of "theatrics," congressional leaders quiekly sought a way to end the stalemate and get the government functioning again,

House Democratic leaders, including Speaker Thomas P. O'Neill of Massachusetts, at first offered a proposal to continue the 1981 spending levels to next Feb. 3. It would have included a large cut in defense spending, which Mr. Reagan does not want.

Rep. O'Neill said the Democrats were offering the president a fur-ther \$2.5 billion in savings by Feb. 3, but both the White House and Howard H. Baker Jr., the Senate majority leader, said an extension of that length was totally unacceptable."

The Republican minority in the House then offered a proposa with a Dec. 15 cutoff date, and that plan was tentatively approved by 221-176, with 43 Democrats crossing over to vote with the Re-- publicans. It was given final ap-

proval by a 367-26 vote.

Mr. Reagan favors a short continuing resolution because the interim spending measures provided for less defense spending and more domestic spending than the president wants.

The confrontation had been precipitated when Congress on Sun-day sent the president an emergen-cy spending bill for fiscal 1982 that Mr. Reagan felt was too expensive. Mr. Reagan had let it be known beforehand that he would veto the measure, but both the Republicancontrolled Senate and Democraticcootrolled House passed it any-

The administration said that neasure. which reached Mr. Reagan's desk Monday morning gave the president only about \$2 billion of the \$8.5 billion in spend-

ing reductions he wanted.

When he went on television Monday morning the president an-nounced he was carrying out the veto threat and rejecting the bill that he said represented "neither fair compromise oor responsible

hudget policy."
Mr. Reagan said that his choice was: "Either to sign a budget-busting appropriations bill that would finance the entire government at

- n "

ALL MANAGES

levels well above my recommendations and thus set back our efforts to halt the excessive government spending that has fueled inflatioo and high interest rates and destroyed investments for new jobs; or to hold the line oo spending with a veto, hut risk interruption of government activities and ser-

"I have chosen the latter," he Rep. O'Neill called the president

unbelievable. Rep. O'Neill, who has served in the House under seven presidents, said Mr. Reagan, "knows less about the budget than any other president in my lifetime. He can't even carry ont a conversation about the budget ...

He's only ont there for the theatrics." Larry Speakes, the deputy White House press secretary, said Mr. Reagan told a Cabinet meeting Monday morning, "This is not theatrics. This is for real."

In his five-minute statement on television, the president acknowl-edged the stalemate and said that "failure to provide a reasonable resolution means that some citizens may be inconvenienced and

that there is a possibility of some temporary hardship "Nevertheless, a far greater threat to all Americans is the sustained hardship they will suffer by continuing the past budget-busting policies of big spending and big

After Mr. Reagan ordered the partial government shutdown, Mr. Speakes predicted that by the end of the day Tuesday 400,000 of the federal government's 2.9 million workers would be laid off.

At ooon, federal employees here began leaving their offices. The Commerce and Education departments told most workers to consider themselves furloughed until further notice, Most Treasury clerical workers were told to leave at 1

The interim funding measure was occded because most of the regular appropriation bilts have not yet been approved by Con-



Soviet President Leonid I. Brezhnev and Chancellor Helmut Schmidt review West German soldiers prior to a reception ceremony. Mr. Brezhnev is on a three-day official visit to Bonn.

# China to Let Workers Find Own Jobs, But Ends Employment Guarantee

By Michael Packs

Los Angeles Times Service PEKING - In a major economic policy change, the Chinese gov-ernment on Monday gave up its monopoly on urban employment. The action gives workers the right to find their own jobs, but also ends the 30-year-old guarantee of a

state job.

A decision by the Communist
Party's Central Committee and the State Council also said that urban cooperatives and private businesses would have to be expanded further to create jobs for city youth, reversing the previous Socialist trend toward state ownership and perhaps even returning some state enterprises to the workers.

The joint party-government decision also ordered an end to discrimination against those emplayed in collective or private enterprises, saying they were to get equal treatment with state workers and were even to be admitted to the party on the same basis.

Behind the far-reaching decision lies China's efforts over the past three and a half years to find jobs for more than 20 million urban imemployed, once more than a fifth of the labor force in Chinese

The state can no longer provide jobs for all urban workers in its enterprises, an accompanying edito-rial in the party newspaper Peo-ple's Daily declared, and individuals must now accept responsibility for finding employment for them-

Althoogh China had long claimed that it could employ all its urban workers and that his proved the superiority of its Socialist sys-tem, the People's Daily said Monday that this boast was mistaken because the state simply did not have jobs for the expanding urban labor force. Increased employment could

only be based on greater produc-tion, the editorial cootimed, and this was more likely to be found in retail trade and in the service sector of the economy in the future. Private and collective enterprises would moreover offer more job opportunities in these areas than the state could.

In economic terms, the decision only confirms what had already hai, Canton, and several other ma-jor cities, where at least half the new jobs in the past three years had come from private husinesses and urban co-ops. Politically, however, the action has broad implications for the rest of the country and the whole economy,

"While the Socialist econor dominates and guides," the decision said, "the coexistence of different economic forms is one of our party's strategic decisions and not just an expedient measure,"

### Terms of Decision

The decision calls for the expansion of both collectively owned enterprises and private businesses, and it specifically authorized each individual businessman to hire as many as seven other persons, rather than the two permitted be-fore, to help him without fear of charges of capitalist exploitation

Under terms of the decision, ur-ban workers will be able for the first time since the 1950s to look for their own jobs rather than wait-(Continued on Page 2, Col. 4)

# **Brezhnev Turns Down** Reagan Ban on Missiles **But Offers Reductions**

From Agency Dispatches
BONN — Soviet President Leonid I. Brezhnev rejected President Reagan's proposal for eliminating European-range nuclear missiles Monday but offered a reduction of Soviet missiles as "a gesture of good will." He also made clear that the United States would be

expected to follow suit.

In his first public response to
Mr. Reagan's suggestions of last week, the Soviet leader announced what he called "a new an essential element in our position" during a banquet given by Chancellor Hel-

"As a gesture of good will we could unilaterally reduce a certain portion of our medium-range nu-clear weapons in the European part of the U.S.S.R., Mr. Bre-

We could make reductions, so to say, as an advance on account, with the idea of moving toward a lower level on which the U.S.S.R. and the U.S.A. could concur as a result of the negotiations," he said, referring to U.S.-Soviet arms talks heginning oext Mooday in Gene-

Mr. Brezhnev told his West German hosts he hoped for "radical reductions of medium-range nucleweapons" at the Geneva talks.

As far as our side is coocerned, would be ready to undertake the reductions not by dozens, but hy hundreds of units of weapons of this type. I repeat, by hundreds

In earlier meetings, the Soviet leader rejected Mr. Reagan's pro-posal that NATO scrap plans to deploy 572 oew ouclear missiles in Europe if the Soviets dismantle their nuclear rockets aimed at the

The banquet followed a day of talks with Mr. Schmidt on the ou-clear balance in Europe. In the speech Mr. Brezhnev called on the United States to "handle the issue more objectively" and to seek a so-lotion acceptable to both sides. Encouraged by Mr. Schmidt, Mr. Reagan last week offered

Moscow a "zero optioo" under

which the Soviet Union and the United States would both agree to renounce medium-range nuclear missiles in Europe.

Mr. Reagan said that the United States would refrain from deploy-ing 572 Cruise and Pershing-2 missiles in Western Europe if the Soviet Union scrapped its SS-20, SS-4 and SS-5 missiles, which are capa-hle of reaching Western Europe. The Western missiles are scheduled for deployment in late 1983.

Although the official Soviet me-dia have attacked the Reagan proposal, it was the first comment on t from Mr. Brezhnev.

The Soviet leader renewed an offer made last February for a freeze of both sides' medium-range systems in Europe — an offer that NATO has rejected. Mr. Brezhnev's offer of a unilat-

eral cui was first made in a speech in East Berlin in October, 1979, shortly before NATO approved its rearmament plan. It was resurrect-ed by Defense Minister Dmitri Ustinov in an article in Pravda last

### Schmidt Urges Summit Io a speech prepared for deliv-

ery at the banquet, Mr. Schmidt renewed Bonn's commitment to East-West detente but said that West Germany was deeply con-cerned by the Soviet missile build-

If the U.S.-Soviet talks on limiting medium-range ouclear arms in Europe failed to bring results by the end of 1983, West Germany would go ahead with the stationing of the U.S. Cruise and Pershing-2 missiles oo its soil, he told Mr. Brezhney.

Mr. Schmidt also reminded the Soviet leader of the oeed to ensure the independence of Alghanistan, and called for a withdrawal of for

cign troops from that country.

The chancellor, who played a key role in setting up the U.S. Soviet arms talks in Geneva, welcomed signs of a more intensive dialogue between the Kremlin and the Reagan administration. "It would be especially significant if you, Mr. General Secretary, were to meet with the president of the United States, Such a meeting could set a clear sign of hope and trust," he said.

Mr. Brezhnev proposed a sum-mit meeting with Mr. Reagan last February, and a Soviet spokesman said Monday that the Kremlin still thought such a meeting would be useful but would have to be thoroughly prepared.

The West German leader devoted most of his speech - which will appear Tuesday in Soviet newspapers — to a detailed summary of Western views oo the European

nuclear halance. Our position is firmly embedded in the common position of the West," he said. "We have continually played a substantial part in formulating this common position. and we shall continue to do so.

"Our past, our country's geo-graphical position, our nation's political position make it even more urgent for us than for others to seek new ways and means of continuing detente and cooperation."

Mr. Schmidt said he wanted a "comprehensive political partner-ship for security" with Moscow under which peace could be maiotained by collaboration rather than

by confrootation. He reminded Mr. Brezhnev that at their last meeting in West Germany io 1978 they had agreed to respect the principle of approximate military parity.
Since then the Soviet Union had

increased its deployment to more than 250 mobile SS-20 missiles with more than 750 accurate warheads, which "has a direct impact on our security interests and gives us grounds for great coocern," he

# Italy Copter Crash Kills 2

The Associated Press CAGLIARI, Sardinia - An Italian Army helicopter on a routine training flight crashed oear a military base oo Monday, killing the two pilots, army officials reported.

# Paisley Leads March Of New Vigilante Unit

The Associated Press
NEWTOWNARDS, Northern
Ireland --- The Rev. Ian Paisley led a general strike of Northern Ireland Protestants on Mooday, then unveiled his oew Third Force vigilante group in a military-style parade through this town near Bel-

Defying British government warnings that it would not tolerate private armies in the embattled province, Mr. Paisley marched at the head of thousands of Protestant Loyalists, who wore masks, combat garb and orange arm-bands. Some carried clubs as they paraded three abreast.

The Presbyterian mioister claimed that at least 19,000 men were behind him in the parade, but reporters estimated the number at between 6,000 and 8,000.

The evening rally on the main street of this town 14 miles east of Belfast climated a day of Protestant protest aimed at forcing the British government to crack down on the almost exclusively Roman Catholic Irish Republican Army and to end cooperation talks with the Catholic-dominated Irish Resulting

"We are oot going into an Irish Republic — never, over never," the Mr. Paisley declared at an ear-lier rally in Belfast.

Tens of thousands of Ulster

Central Belfast's department

and police were on alert, but they kept a low profile throughout the day and reported no violence in

Thirty thousand British troops

the province.
However, the IRA claimed re-

Protestants, angered by British government policies, left factories, offices and stores in the 12-hour work stoppage, which began at noon. They gathered at protest rallies across the province and jammed dozens of town centers with caravans of cars, tractors and

Mr. Paisley said that the stop-Mr. Paisiey said that the stop-page was 100-percent effective. But the Confederation of British Industry said that "an average 70 percent-plus" had quit work. The confederation assistant director, Alan Burnside, said that some people went home to avoid traffic

stores and banks remained open, be added.



The Rev. Ian Paisley addresses Protestant supporters outside Belfast City Hall during the strike.

day in London. A booby-trapped bomb, disguised as a toy pistol, ex-ploded at the Woolwich army barracks. Two soldiers' wives were injured. One of them lost three toes of her right foot. They had been walking their dogs, and one of the animals triggered the device, according to an army spokesman.

Cannot Take More

Addressing the crowd in the town's main square, John McQuade a veteran Loyalist from Belfast's Shankill Road Protestant At Newtownards, Mr. Paisley's stronghold, and a leading Paisley

supporters scaled the town off at nightfall, stopping and checking all cars.

aide, called for "all-out war" on the IRA. "The IRA should be shot on sight," he declared.

Earlier, Mr. Paisley addressed a crowd of 3,000 at a rally outside Belfast's City Hall and was

Foreign Minister Hans-Dietrich Genscher, commissioners of the European Economic

Community, deputies in the European Parlia-

ment, as well as Socialist and trade union lead-

Some of these officials, particularly those

within EEC bodies, have recently warned the Turkish leaders that unless restoration of de-

mocracy is accelerated. Europe might suspend several hundred million dollars in economic

cheered by supporters waving red-and-white Ulster flags when he

# **U.S. Losing Patience** On Managua, Aides Say

By Don Oberdorfer

Washington Post Service
WASHINGTON — Two senior administration figures, Secretary of State Alexander M. Haig Jr. and presidential coonselor Edwin Meese 3d, say that time is running ont on U.S. patience with Nicara-gua, but both decline to disclose what U.S. action is being contem-

"We have not given up on Ni-caragua, but the hours are growing rather short," Mr. Haig said Sunday. He complained of a "drift toward totalitarianism" and "a high influx of sophisticated armaments" from the Soviet Union and

its allies.

He said that Nicaragua's leadership "has rejected" U.S. offers of political accommodation made through diplomatic channels in recent weeks.

Mr. Meese, speaking in similar terms, said that "the hour is late" in view of the Nicaraguan military buildup, which he said includes Cuban participation. He added: There is a threat to other countries in Central America, and that's why there is a great deal of

INSIDE

East Germany

The East German Protestant Church, apparently embol-

dened by church-supported peace movements in the West,

has taken up a call by youth

for social service as an alterna-

tive to the East German mili-tary draft. Page 5.

Pao Merger

concern, not just by the United States but by other countries in Latin America."

Questioners were unsuccessful in obtaining details of the likely in obtaining details of the likely U.S. response from Mr. Haig, Mr. Meese and Secretary of Defense Caspar W. Weinberger, who appeared separately on the regular Sunday interview programs of the three major U.S. television net-

The interviews covered a range of foreign-policy topics, incloding President Reagan's proposal in the coming U.S.-Soviet negotiations on medium-range nuclear weapons

Nicaragua is strengthening ties with Russia, Arab nations. Page 3.

in Europe, a possible U.S.-Soviet summit meeting and coming U.S.-Israeli talks on strategic coopera-

tion in the Middle East. The effort to discover even the drift of administration thinking

drift of administration thinking about dealing with Nicaragua ran into a refusal to divulge contingency plans or to accept or reject military action as a likely possibility.

Mr. Meese, who went further than the others, narrowed the range of potential actions, ruling out the use of U.S. "military ground forces" within Nicaragua, but declining to rule out a naval blockade around that country.

blockade around that country,
Mr. Meese also qualified Mr.
Reagan's statement of Nov. 10
that "we have no plans for putting Americans in combat any place in the world." The White House counselor defined this as "no present plans" for use of U.S. forces. Asked for a time limit, he responded, "The present is the present, and I would say the foreseeable fu-

# An Option

Hong Kong financier Sir Y.K. One of the options being con-templated, Mr. Meese said, "in-Pao moves to merge two parts of his vast empire. World In-ternational (Holdings) will become a wholly owned subsidi-ary of Hong Kong & Kowloon Wharf. Page 17.

Skyscraper Design Bold new designs give a fresh

The first of two parts of the annual Euromarkets supplement appears on Pages 7S-16S. The second section will appear in tomorrow's editions

### look to the new breed of U.S. skyscrapers. Page 6. Euromarkets

of the International Herald

volves putting pressures on Nicaragua by other nations in the area."

Mr. Haig appeared to be hinting at the same point by saying it is vitally important that "neighbor-ing states" as well as "the forces of freedom in Nicaragua" recognize the threat arising from the "huge military structure" being created

and Eastern Europe "directly through Cuba." Mr. Haig flew to Mexico City

in Nicaragua. He said the influx of

weaponry is from the Soviet Union

Monday for two days of talks with Mexican leaders, and is scheduled to visit the Caribbean island of St. Lucia Dec. 2 for a meeting of the Organization of American States. U.S. concerns about Nicaragua and Central America are expected to figure in both sets of talks

# Turkish Premier Hardens Attitude to Critics

ional Herald Tribune ANKARA — Reflecting a hardened stance toward West European critics, Turkey's Pre-mier Bulent Ulusu says the ruling military government will neither accelerate its promised

"Arms caches are still being found in Turkey and a reasonable amount of time will be needed in this transitional period before we can return to a parliamentary democratic sys-tem, as announced the day the Turkish armed forces intervened," Mr. Ulusu said during an

terrorism by both rightists and leftists that paralyzed the nation at the time of the coup on

now, is still being practiced. Mr. Ulusa, a retired admiral and former commander of the Turkish Navy, said that an outline of Turkey's future political system might be announced during the first six

eral years.
"We are in the midst of crisis-management

and like navigators, we are still charting the course," said an official of the National Security Council, the regime's ruling executive body.

Most Western officials and diplomats interviewed during the past two weeks agreed that the regime is sincere in its promises to restore democracy. "The question is not if but when," said the ambassador of a leading NATO coun-

Mr. Ulusu praised the Reagan administration for its "understanding" of the nation's internal situation while bluntly attacking critics in Western Europe.

Called 'Systematic' He said their attacks on the regime reflected "a systematic campaign being conducted by el-ements who are extensions of the terrorist or-

Authoritative Turkish sources said the terrorist groups were based primarily in Western Europe but were also found in Eastern Europe. "By exploiting humanitarian concepts, these terrorist elements are trying to manipulate for-cign institutions, circles and public opinion for

ganizations that were operating in Turkey" be-

He emphasized that the criticism was coming from "certain people, circles and nongovernmental organizations," rather than from heads of European governments, but he declin-

their own purposes," Mr. Ulusu said.

aid to Turkey during 1982. Mr. Ulusu and other top Turkish officials acknowledged that the country was under pressure and that there was the possibility it would be expelled from the 21-country Coun-

ers throughout northern Europe.

cil of Europe.

"We do not have an elected government ...
id cuts and expulsion from the council are
possible ... but it is up to the Europeans not
us," said a senior Turkish official. We expect our allies to be more diligent against such insugations and oot become instruments of the intentions of these terrorists," Mr. Ulusu said, adding that the Reagan administration has "shown far more understanding for our situation ... U.S. officials are better informed than the Europeans."

Mr. Ulusu also indicated that his government was bracing for renewed European criticism when former Premier Bulent Ecevit is ordered to begin serving a four-month prison sentence, probably within 10 days.

(Continued on Page 2, CoL7)

FINNISH NOMINEE - Johannes Virolainen, speaker of the Finnish parliament, has won the nomination of the Center Party to run for president in January. He defeated

Ahti Karjalainen, a former foreign minister who had been widely regarded as Moscow's preference. Story, Page 5.

# Ulusu Says Government Will Not Accelerate the Restoration of Democracy

fore the coup.

By Axel Krause

restoration of democracy nor disclose a timetable for a new constitution and elections.

interview last week. What the premier and other top Turkish of-ficials said they feared most is a revival of the

Sept. 12, 1980.

Western critics, mainly in Enrope but also to some extent in the United States, say the regime is stalling on the restoration of democracy by continuing to ban political and union activities and that torture, while less common

months of next year but not earlier.

Other, authoritative Turkish officials in Ankara said that the entire process may take sev-

ed to identify them more specifically.
Turkish officials and Western diplomats interviewed in Ankara noted that the most outspoken critics have included West German

Mr. Ecevit, a Social Democrat, was convicted Nov. 3 of defying a government decree for-

aplain of

That lartites

Bennuick Corrs

Mar Juit Leone

# Arafat Steps Up His Politicking on Fahd Plan

By John Kifner

New York Times Service

BEIRUT — Yasser Arafat, a wily survivor, long accustomed to delicate political juggling among the Palestine Liberation Organization's cantankerous Arab sponsors, is maneuvering this week at a moment fraught with opportunity and pitfalls.

As Arab League leaders pre-pared to meet Wednesday in Fez. Morocco, to consider — or pi-geonhole — Saudi Arabia's controversial plan for the Middle East, Mr. Arafat was characteristically racing from capital to capital pursuing last-minute diplomacy.

By Richard Eder

New York Times Service

and the Netherlands announced

on Monday an agreement to take

part in a peacekeeping force to be sent to the Sinai after Israel com-

pletes its withdrawal next spring.

The agreement was reached af-

ter weeks of tortuous negotiations

that came close to breaking down

at several points. The result was a

complex series of statements word-

ed to avoid outright condemnation by the Arab states and an outright

rejection from Israel. It was oot clear whether the first ubjective would be met: and by Monday evening an Israeli spokesman had

[In Jerusalem, Israel said that

the announcement "seems in con-tradiction to the Camp David agreements." The Associated Press

By Brian Mooney

WARSAW - Jacek Kuron, one

of the founders of a new opposi-tion movement in Poland that

challenges one-party Communist rule and calls for revision of rela-

tions with Moscow, said Monday

that he was undeterred by police action against members of the

Mr. Kuron, a prominent dissi-dent leader, said that the 40 found-

ing members, who include officials

of the independent union, Solidar-

ity, would present themselves at a

public meeting Sunday. The dissi-

dent, who played a key part in founding Solidarity 15 months ago, made the statement to report-

ers after being questioned for an

hour at Warsaw police headquar-

after police raided his home Sun-

day, broke up a meeting of 40 ac-

tivists and seized a founding decla-

The official news agency, PAP,

said that the declaration was anti-

constitutional and anti-Commu-

nist and added that the authorities

were now confronted with a full-

**Basis of Parties** 

movement wanted to establish

lic" throughout the country to

form the basis of future political

parties in an independent and

grown out of public disillusion-

idarity's founding.
"The belief that a social protest

movement would soon lead to the

emergence of a democratic and in-

dependent state has turned out to

be an illusion," the declaration

It said that the introduction of

free unions had paralyzed what it called the totalitarian state, forcing

it to fall back oo threats of force

and police repression. "Worsening

living conditions pose a real threat of violent public outbursts ... The apathy of people exhausted be-yond endurance can easily crupt into aggression," the declaration

ment with developments since Sol-

It said that the movement had

clubs of the self-governing repub-

The declaration said that the

fledged opposition party.

democratic Poland.

ratioo that they had all signed.

He had been summoned there

put the second in grave doubt.

PARIS - France, Britain, Italy

Arab capitals were paying lip service to the Palestinian cause. national agendas. This was not unusual, given the Palestinians' history. Sponsored for years by Saudi Arabia as a counterbalance to Gamal Abdel Nasser's pan-Ara-

### **NEWS ANALYSIS**

bism, the Palestine Executive Committee, as the nationalist group was orginally called, did not receive Egyptian support until 1968. Mr. Arafat and his el-Fatah faction took over the Palestinian leadership in 1969.

Menachem Begin's government will discuss and decide on the

whole complex of problems' re-

garding the force that is to patrol the Sinai desert after Israel relin-

quishes the eastern sector to Egypt in April. The issue was expected to come up for a Cabinet decision by

The difficulty of the negotiatioo and the small room that the Euro-pean nations have for maneuver

among the various parties in the Middle East conflict was reflected

The announcement is extremely

vague on the forces to be sent. The

total force, including contingents from the United States and several

other countries, is in number about 2,500. The four European

countries had originally been ex-

pected to contribute about half nf

ation of new bases for social ener-

gy," it added, arguing that Poland

needed a serious political ap-proach in place of the spontaneous

Solidarity Program

Mr. Kuron, who helped found the Social Self-Defense Committee

(KOR) in 1976 and is a key adviser

to Solidarity, said that the declara-tion was based on the program adopted at the recent Solidarity

government charges that the clobs

his organization wanted to form are anti-Communist, He replied:

"If they consider Solidarity's pro-

gram as anti-Communist, then

ship had never worked in Poland, the declaration said that it aimed

to promote multiparty parliamen-tary democracy. It said that the

Polish Communist Party's only

claim to rule was based on the threat of Soviet intervention which, it added, could be avoided.

The declaration also suggested

Poles, bereft of civil rights, had

the concept of renegotiating Po-

no influence on the model of Pol-

ish-Soviet relations that emerged

in the Stalinist era and has re-

"In future negotiations with the U.S.S.R., in which anthentic repre-

sentatives of Poland take part, a new arrangement should be

worked out in which necessary

self-limitation does not violate na-

Russia May Cut Energy Sales

Soviet Union, faced with growing

demands at home and in Poland

to the rest of Eastern Europe by up to 10 percent in the current 1981-

will have to cut its energy exports

1985 five-year plan, according to

informed Hungarian sources.

The cuts will be discussed in bi-

lateral trade talks in the next few

weeks, the sources said, with spe-cial emphasis on how much Soviet

oil, natural gas and other energies

BUDAPEST (Reuters) - The

tional sovereignty," it said.

mained intact until today,"

declaration said.

land's relations with Moscow.

Stating that totalitarian dictator-

illegations like that might fit."

national congress in Gdansk. He was asked if he accepted

dealism of the last months.

Suoday.]

Polish Dissident Says Police

Won't Deter His New Group

in several ways.

Israel May Veto EEC Role in Sinai Force

They were thrown out of Jordan in the "Black September" fighting but twisting the issues to fit their in 1970 and took refuge in Lebanon where they were welcomed at first by many Lebanese factions. Syria was a friendly patron for a time, until the PLO joined with leftist Moslems and appeared to be coming out ahead in Lebanon's civil war. Syria, preferring to keep Lebanon divided and weak, sent troops in 1976 to prop up Leba-nese Christians. Syrian-sponsored Saiqa guerrillas clashed with their cousins in the PLO.

After 1976, Mr. Arafat was obliged to stay on the right side of Syrian President Hafez al-Assad.

only equipment. In London, Hum-

phrey Atkins, the deputy foreign

3 Announcements

and London. Although not con-

flicting, all of these versions had

had been agreed upoo between Israel and Egypt in the Camp David

the Sinai force is seen by the Arabs as participation in Camp David, and the Europeans had originally

But in recent months the United

States has increasingly pressured them to participate. The pressure

produced several near ruptures be-

M. Haig Jr. and British Foreign Secretary Lord Carrington, who has been the chief European nego-

**Bid to Pacify Arabs** 

participate but to compensate for

this affront to the Arabs by a dec-

laration that would attempt to pa-

cify them. Unfortunately, state-ments aimed at pleasing the Arabs are almost certain to affront the Is-

The four-power statement said

that the four considered that their

participation in a force was sepa-rate from the rest of the Camp Da-

vid process. This was a reference to the provisions — considered

unacceptable by the Arabs and in-

sufficient by the Europeans — regarding Palestinian rights. But just as the Arabs reject Camp David,

Israel bas insisted that it would re-

ject any statement by the prospec-

tive European participants that

eemed to repudiate Camp David.

rectly to the other Israeli insis-

tence: that no reference be made

to the Palestinians' right to a

bomeland — a formulation adopt-

ed by a European meeting in Ven-

ice last year. It approached it indi-rectly, however, by saying that the

four nations's decision to take part in the Sinai force "did not affect

their well-known positioo on other

Zia, Evren Meet in Pakistan

ISLAMABAD — Turkey's head

of state Gen. Kenan Evren and President Mohammed Zia ul-Haq

held talks here Monday on inter-

national and bilateral issues. Nn

details were immediately available.

but earlier Pakistani officials said

the discussions would concentrate

United Press Inter

problems in the region."

The statement did not refer di-

The European solution was to

een Secretary of State Alexander

hoped to stay nut of the force.

negotiations for peace.

varying purposes and nuances.

have usually by-passed Mr. Arafat, going to "rejectionists" such as the Popular Front for the Liberation of Palestine General Command. Moamer Oadhafi even threw Mr. Arafat's representative out of Trip-oli for a time last year. Israeli military strikes often are directed at well-armed, Libyan-backed fac-tions in Lebanon, which does not [An Israeli Foreign Ministry the force, but nothing was said statement said Prime Minister about this in the announcement. A about this in the announcement. A French spokesman indicated that France might send no men at all entirely displease Mr. Arafat's

have complained openly about

Syrian "domination" and Syria has

taken under its wing the maverick

Palestinian leader Abu Nidal, once

under the patronage of Syria's ri-

val, Iraq. Abu Nidal calls Mr. Arafat and his Fatah moderates "traitors" and has vowed to kill

them. Like Egypt and Iraq and Li-

bya — the list is long — Syria tra-ditionally has viewed itself as the

leader of the Arab world and has

Libyan money and weapons

resented rival aspirations.

Avoiding the Issue

secretary, estimated that the British contribution might be about Shifting from one patron to another, Mr. Arafat spotted an opportunity and rushed to Tehran to embrace Ayatollah Ruhollah Kho-meini in 1979, shortly after the Ira-There were also three different nian revolution. But Iranian-Saudi feuding has rubbed off on the mouncements. One was issued by the foor participants, and a sec-ond was issued by these, together Palestinians, and last week crowds with the other six members of the in Tehran were chanting "Death to Arafat, Death to Fahd." European Economic Community. Finally, there were separate na-tional statements issued by Paris

Mr. Arafat began boosting the eight-point Sandi plan when it appeared in August, but it was largely ignored until the assassination of Egyptian President Anwar Sadat changed the complexion of Middle East politics, particularly for the United States. The plan would require Israel to relinquish Europe has had a dilemma in dealing with the question of con-tributing to the Sinai force, which would require Israel to relinquish lands conquered since 1967 and to dismantle its West Bank settlements. It would establish a Pales-Camp David has been repudiattinian state with East Jerusalem as ed by the Arab states, with the exception of Egypt, and the Arabs have warned the Europeans who sought to play a mediating role, to steer clear of it. Participation in

its capital — all proposals vigor-ously rejected by Israel. The sticking point for Arab mili-tants, and the attractive part to the Reagan administration, is Point 7, endorsing the right of all states in the area to live in peace. That appears to tacitly recognize Israel,

"If Syria says nothing, there is a

good chance." The Syrian foreign minister, Abdel Halim Khaddam,

flew to Rivadh last weekend to

meet with Saudi King Khalid and

Later, the Saudi foreign minis-

ter, Prince Saud, went to

Damascus and urged Syria to back

the plan so that it could be pre-

sented to Washington from a posi-

Saudi diplomacy has sometimes

petrodollars, there was speculation

as to what the Syrians were asking.

(Continued from Page 1) ing, sometimes for three or four

years, for the state to assign them to enterprises. At the same time,

however, the state will no longer

been conducted with satchels of

tion of united Arab strength. Since

Prince Fahd.

eight points proposes "recognition of the right of all states in the re-Mr. Arafat has, as usual, danced gion to live in peace" under UN all around the question. His interviews and comments on the Fahd A high delegation source, who plan have been followed by deni-als, corrections and clarifications asked not to be named, said a substantial majority of the 21 Arab League members favored the plan, designed to keep him off the hook. He praised the proposal as "a good basis for negotiations," thus ap-pearing not to be strictly bound to each point. Speaking to Palestinian but added "determined opposi-non" from the hard-liner minority could block its formal approval by the conference later in the week. students here last week, he added The Saudi foreign minister, other reservations: The plan does

Prince Saud al-Faisal, lobbied ac-tively for the plan among his fel-low ministers, while the leader of not specifically recognize the PLO; it is limited to lands Israel has occupied since 1967; the Soviet Unthe Palestine Liberation Organizaion must play a role in any internation, Yasser Arafat, was in Sandi Arabia reportedly discussing it with King Khaled and Prince tional conference on the Middle Will Prince Fahd's plan gain the backing of the Arab League at Fez? "Watch Syria," an important Palestinian functionary advised. Fahd. The crown prince was ex-pected to lead the fight for the plan at the meeting.

By Michael Goldsmith

The Associated Press

ministers held intensive secret dis-

cussions Monday no the Saudi

Arabian peace plan for the Middle East amid growing opposition from hard-liners to any Arab rec-

On the second day of a ministe-

rial meeting preparing for the Arab conference opening here

that the peace plan of Sandi Crown Prince Fahd had little

chance of unanimous Arab ap-

The seventh of Prince Fahd's

ednesday, it became apparent

ognition of Israel.

proval at present.

FFZ. Moroccn - Arab foreign

Farouk Kaddoumi, left, head of the political department of the

Palestine Liberation Organization, arriving at Fez, Morocco, for the meeting of the foreign ministers of the Arab League.

To Saudi Plan Seems to Grow

Mr. Kaddoumi did oot spell out

condition for PLO accomptance

include the creation of a PLO-led

Palestinian state in areas held by Israel since the 1967 war, evacu-

ation of East Jerusalem, the West

Bank and the Gaza Strip, liquida-

tion of all Jewish settlements es-

tablished in the West Bank under

Israeli occupation and the right of

Palestinians to return to their for-

Moderate Arabs claim, however,

that the plan represents a major

turning point in more than three

decades of conflict because it is the

first step toward general Arab rec-ognition of Israel.

France Reports

South Africa Got

**Enriched Uranium** 

The Associated Press

Ministry announced Monday that

South Africa had obtained en-

riched uranium on the internation-

al market for a nuclear power

IS IOT

agreement between the French

Under its contract with Frama-

tome, South Africa provides the

uranium and the French company

makes fuel rods and is responsible

Jailed Egyptian Writer

Transferred to Hospital

The Associated Press

was one of 1,563 persons arrested in September by the late Anwar Sadat in a crackdown on political

and religious focs, has been moved

from his prison cell to a hospital for treatment of a kidney ailment, medical sources said Monday.

peace policy with Israel, and a for-mer editor-in-chief of the semi-of-

ficial newspaper Al-Ahram, was said to be "doing fine."

A Washington Post dispatch from London in Monday's edi-

tions of the International Herald Tribune incorrectly identified Guy

Burgess, one of the three British spies who fled to Moscow.

Mr. Heikal, a critic of Egypt's

ampany and South Africa.

plant project.

PARIS - The French Foreign

mer homes inside Israel.

Hard-Line Arab Opposition

Mr. Arafat has been on a tour of Arab capitals and repeatedly has expressed cautious approval of the plan. But his chief foreign policy adviser, Farouk Kaddoumi, surprised Prince Faisal during backstage talks here with a generally negative position on the plan, conference sources reported.

Talking to reporters, Mr. Kaddoumi said the 7th point of the plan was unacceptable to the PLO as long as it is not accompanied by "explicit guarantees" from the big powers, particularly from the United States.

### tome was obtained on the interna-China Allows Job Hunting, source of supply. **But Ends Guaranteed Work**

lion or seven million rather than the four million originally anticibe the employer of last resort, guaranteeing every worker a job eventually. This will introduce Although China has found jobs for more than 20 million in the last competition into the labor market for the first time in decades. three years, reducing its urban unemployment substantially, officials feel they are near the limit of the The People's Daily confirmed jobs they can create in state-owned

the first nine months, jobs were found for about 4.8 million urban

youths, indicating that unemployment at year's end may be six mil-

# Yemeni Leaders in Kuwait

United Press International KUWAIT — The presidents of Yemen and Southern Yemen ar-rived on Monday for talks on improving relations between the two nations with Kuwait acting as a mediator. Southern Yemeni President Ali Nasser Mohammed and Yemeni President Col. Ali Abdullah Saleh were expected to hold talks under the auspices of the emir of Kuwait, Sheikh Jabir al-Ahmad al-Sabah.

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Correction

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fively as possible? \*Poreign Service personnel, mar's who Members of America's diplomatic cords are assigned to US.
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matic personnel do—with the Foreign Service Institute's Programmatic Spanish Course

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mail with your name and address and a check or money order. Or, cheege to your credit card (American Express VISA, Master Card, Diners Club) by enclosing card number, expiration date, and your signature.

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WORLD NEWS BRIEFS

# SWAPO Calls on South Africa to Act

LUSAKA, Zambia — South-West Africa (Namibia) guardia leader Sam Nujoma said Monday that the next move in the Namibian peace initiative was up to South Africa and the Western "contact group,"

Mr. Nujoma arrived in Lusaka from an African ministerial meeting in Dar es Salaam that had drafted a reply to constitutional and other independence proposals circulated by the contact group, the United States Britain, France, West Germany and Canada,

Asked at a press conference if he felt there had been any progress toward independence for South-West Africa, which South Africa adming interest in defiance of UN resolutions, Mr. Nujoma, whose South-West Africa People's Organization (SWAPO) is waging a war for independence, replied: "This question must be asked of the South Africa racing and of the content and no SMAPO." regime and of the contact group and not SWAPO."

Meanwhile in Windhoek, South-West Africa, a spokesman for South African troops in the area said that they had killed 114 SWAPS guernilas during the last two weeks.

# S. Africa to Relax Sports Segregation

IOHANNESBURG - South Africa plans to abolish forced segregation in professional and amateur sports, but not in school sports, Educaition Minister Gerrit Viljoen told the Johannesburg Star Monday.

Mr. Viljoen said that the government believed in a hands off policy on professional and amateur sports, but said school sports should remain

racially segregated. He termed the question of school sports "a sensitive matter" that could evoke a white backlash against mixing races in competition. "I think that if we exert pressure to mix to a large extent in school sport there will be a serious backlash," he said. "This area is one that is clearly

# Opposition in India Attacks Gandhi

NEW DELHI — Opposition groups attacked Prime Minister Indias Gandhi's government on Monday over a loan of \$5.8 billion that it has negotiated with the International Monetary Fund.

what kind of guarantees he had in mind, but he said total U.S. and The government was also criticized for its new anti-strike powers and in connection with the killing of 24 Untouchables in northern ladia last Israeli acceptance of every part of the plan was also an essential pre-The controversies dominated the resumption of Parliament after a recess. Most opposition members walked out of the lower boose when

Israel has rejected the plan be-cause several of its key provisions are unacceptable to the govern-ment of Menachem Begin. These they failed to win agreement for an immediate debate on the controver-sial IMF loan. They said they wished to censure the government for bypassing Parliament in concluding the loan.

# Paris Senate Rejects Nationalization

PARIS - The French Senate on Monday rejected the Socialist govern ment's nationalization bill, but the project is almost certain to be adopted in its final reading by the Socialist-dominated National Assembly. The bill would nationalize five major industrial groups and 36 French-

The Senate voted 184-109 to reject the bill, which was approved on first hearing by the Assembly last Oct. 26. It now goes before a joint Senate-Assembly commission before being resubmitted to both house. If the bill is again accepted by one house and rejected by the other, it.

returns to the 491-member Assembly for a third and binding vote. The Socialists bold an absolute majority in the Assembly and the bill should be adopted before the end of next month. Once the bill is adopted, opposition senators and Assembly deputies are expected to sak the Constitutional Council to rule on its conformity to the Constitution.

# **Turkish Premier Hardens** Response to Critics Abroad

bidding public criticism of its policies. Now living at home in Ankara under police surveillance, Mr. Ecevit has received wide support from Socialist leaders and intellec-

tuals throughout Europe.

A senior Western diplomat here predicted that Mr. Ecevit's jailing will become "a bombshell in Eu-Framatome, a company owned in part by the government, is pro-cessing the uranium into fael rods, under an existing contract with South Africa's Electrical Supply Commission, a Foreign Ministry statement said. It added that there

rope, mainly in Germany."
Maintaining that the former premier had broken the law and that courts established before the coup, Mr. Ulusu made clear that the regime was prepared to live with

such reaction. "We will just have to wait and see what kind of reaction there is Europe and here," the premier

for starting up the plants. The min-istry statement said that the 70 to Commenting on international is-sues during the interview, Mr. 76 tons of enriched uranium that South Africa provided to Frama-Ulusu also said: tional market. It did not reveal the

 Although relations with the Reagan administration were excel-Several countries besides the lent, he called for increased U.S. economic and military aid in the United States manufacture uranium, including the Soviet Union, China and France. next several years as well as "closer contacts" between top U.S. and Turkish leaders.

The Reagan administration is proposing a Turkish aid package for fiscal 1982 of approximately \$702 million, \$402 million of it for military purposes. Mr. Ulusu and other Turkish leaders said they CAIRO — Mohammed Hassanein Heikal, 57. Egypt's best known international anthor, who would like to see that package increased substantially during the next several years, in part so that Turkey's armed forces can be mod-

> Turkey still has no immediate plans for seeking full Common Market membership, but will do so "as soon as democracy is established," the premier said. "It is fully understood by Turkey that this accession is a difficult matter and

> that it requires time and mutual ef-forts," he added. Mr. Ulusu and other Turkish of-ficials said that full EEC membership would be linked to progress in the government's economic recov-ery plan aimed at modernizing. Turkish industry, which was launched under the previous gov-

ernment of Suleyman Demirel. The premier said the nation's economy was experiencing a "mi-raculous" recovery. Inflation had dropped from 100 percent last year to 40 percent and this year's gross national product is expected to grow approximately 4.4 percent, he said.

But Mr. Ulusu also expressed disappointment at the reduction in the aid being provided to Turkey by members of the Organization for Economic Cooperation and Development. Key industrialized countries in the 24-nation group will provide a total of approx mately \$1 billion this year, \$100 million less than in 1980.

The premier did not identify the countries. He did say that he also would like the governments and banks in the organization to ex-

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Premier Bulent Ulusu

Turkey.
Mr. Ulusu also conceded that thile Turkey was still seeking foreign investments and technology, we have been unable to convey the present realities of our country to foreign investors."

Defense Minister Haluk Bayulken, in a separate interview, said he was exploring the possibility of building a joint U.S.-Turkish arms manufacturing complex in Turkey. He said it could produce sophisticated tanks and combat aircraft, some of which could be exported, and that initial contacts had been made with several interested U.S. defense contractors

That plan and related issues will be discussed during a visit to Tur-key next month by Defense Secre-tary Caspar W. Weinberger, he said.

# **Thousands Back Paisley**

(Continued from Page 1) said: "This is Ulster's D-Day -

Fears of trouble were height-ened by the arrest Sunday of three members of the Ulster Defense Association, the biggest private Protestaot army, in a truck loaded with explosives outside Newtownards.

Northern Ireland's million Protestants, who outnumber the province's Roman Catholics 2 to 1, also are seeking the end of the IRA wave of violence, including the slaying Nov. 14 of the Rev. Robert Bradford, a Protestant member of the British Parliament.

This stoppage is going to show Mrs. Margaret Thatcher that the people of Ulster have had enough. and they cannot take any more. said Mr. Paisley. He predicted "the entire Loyalist community" would

back his "day of action." But the Official Unionist Party. the rival of his Democratic Union ist Party, the 15,000-man Union Defense Association and Anti-bishop John Armstrong, the fit-mate of the Church of Ireland the

largest Anglican denominates opposed his tactics. THIS WEEK

HARRY'S N.Y. BAR is 70 years old in Paris. Id 7 years young in Musi nd 7 years young in Munic and soon on M/S ASTOR

that the government will have dif-ficulty in meeting its goal of 9 or 10 million new jobs this year. In said.
"The time has come for the creon Afghanistan and the Middle A Great New York Hotel-The Ultimate Condominium convenience to those desiring to own The prestigious address of Marriott's or lease. Maximum privacy and Essex House on Central Park South security are assured. Low-profile living Midtown Manhattan's international in high style elegance — an Essex boulevard in the heart of the City's House tradition for more than 50 years. business and cultural community complements the perfect setting for this unusual condominium concept. Marriott's. Custom designed corporate and residential suites, fully serviced and managed through the Essex Towers, offer the ultimate in luxury and

# Meese Defends Actions Of Allen Investigators was \$1,000. "That is all Shufunce interview; the

New York Times Service

WASHINGTON - Edwin Meese 3d, the White House counselor, says there were no plans for Richard V. Allen to resign and he asserted that both White House and Justice Department officials had been "scrippilously" correct in their contacts during the investigation into a \$1,000 payment to Mr. Allen, the White House national security adviser, by a Japanese

Mr. Meese, in a television interview on Sunday, acknowledged that the Allen controversy may that the Allen controversy may "do some damage" to the Reagan presidency. "We hope it won't he a great deal of damage." he added, promising that the Justice Department inquiry must either "totally clarify and absolve" Mr. Allen's habourer or "appropriate action behavior or "appropriate action will be taken."

Meanwhile, Justice Department officials confirmed Sunday that three top assistants to Attorney General William French Smith met Friday with William H. Web-ster, director of the FBI, and criticized the quality of the FBI's investigation of Mr. Allen.
Justice Department officials

called for a renewed investigation of Mr. Allen because of evidence found in Mr. Allen's safe indicating he might have received \$10,000 rather than \$1,000. The New York Times reported Sunday, quoting an administration official who asked not to be identified.

Call Considered Unauthorized

The same official said Mr. Webster made what Justice Depart-ment officials consider an unauthorized phone call to Mr. Allen to assure him that the Japanese involved in the exchange corroboratvolved in the exchange of the ed his account that only \$1,000

had changed hands,
Mr. Meese, however, said that
Mr. Webster's contact with Mr. Allen was proper. Sunday, in Tokyo, executives of

the Japanese magazine, Shufuno-tomo (The Housewives Compan-ion), asserted that the payment come of the investigation.

mo paid for the interview; there were no other payments," said Katsuro Ishizuka, editor of the

The administration official said the renewed FBI inquiry, which could lead to the appointment of a special prosecutor, will seek to determine why the figure \$10,000 appears to be written on both the envelope found in Mr. Allen's safe and on another document, "some kind of receipt," discovered there.

### Business Contacts

The matter first became public on Nov. 13, when Japanese newspaper reports reached Washington that U.S. officials had asked Japahese investigators to help explore the \$1,000 payment to a White House official who had business

contacts in Japan.
Mr. Allen, who has represented the makers of Datsun as a private consultant and met last spring with a high official of Toyota a the White House, then admitted receiving the money. He said that he took the money after three women representing the magazine said they wanted it to go to Nancy Reagan as an "honorarium" for granting them an interview on Jan-

Mr. Allen has said he received the money to avoid putting Mrs. Reagan in an embarrassing position and, at the same time, to avoid offending the women by re-fusing what Mr. Allen said Japanese journalists regarded as a customary payment.

in the past week, a series of mis-statements by the White House and new disclosures about Mr. Allen's activities raised the matter to the level of a major concern in the administration. Administration ofadministration. Administration or-ficials said that two of Mr. Reagan's top aides, James A. Baker 3d, the White House chief of staff, and Michael K. Deaver, the deputy chief of staff, were leaning toward the view that Mr. Allen might have to resign for the good of the president, whatever the out-

# Diplomats to UN Assembly Complain of the Old Refrain

By Bernard D. Nossiter New York Times Service

UNITED NATIONS, N.Y. -- A spokesman for Kurt Waldheim complained recently that the American press had devoted so much space to the race for secre-tary-general that it had virtually ig-nored the General Assembly. This, said Rudolf Stajduhar of

Yugoslavia, a UN spokesman, was causing "imeasiness" in Mr. Wal-dheim's 38th-floor office and also imong delegates.

Many envoys here, however milain that this year's assembly is notable chiefly for its overly familiar debates. Virtually all 126 items on the agenda have produced almost identical resolutions and votes for three or more years. · One new item, a condemnation of Israel's destruction of an Iraqi nuclear reactor, was debated at length in the Security Council in June: For good measure, Ismat Kittani. of Iraq, the assembly's president, arranged the calendar so that the assembly could deal with it twice in three days.

These are some of the old stand-by that are back again this year.

bys that are back again this year:

• The question of Palestine, which will lead to an overwhelming vote favoring the establishment

of a Palestinian state.

• The situation in the Middle

# Anti-Tax Leader In Denmark Gets 4-Year Jail Term

The Associated Press
COPENHAGEN - Mogens Glistrup, the anti-tax party leader, was convicted Monday of large-scale tax evasion Monday and sentenced to four years in jail.

Mr. Glistrup, 55, a lawyer and leader of the Progress Party, said he will appeal to the Supreme

Court. The seven-year trial was the longest in Danish history.
The Copenhagen High Court changed a 1978 lower court convic-tion from tax evasion to gross tax evasion, sentenced Mr. Glistrup to the maximum prison term, stripped him of his right to prac-tice law for the rest of his life and leveled fines, retroactive tax pay-ments and legal costs totaling more than 7 million kroner [3]

millionl. He was convicted of gross tax cvasion through a pattern of ficti-ticus lending and borrowing trans-actions among more than 2,700 companies set up to help him and 20,000 clients reduce their tarable incomes, often to zero. His political movement is based on the ideology that "tax-cheating is patriot-

The sentencing came two weeks before national elections called earlier this month by Premier Ank-er Joergensen of the Social Democratic Party. In 1973, Mr. Glistrup's party won 28 seats in the Folketing (parliament), but has lost six seats in subsequent elecEast, ending in a demand for Israel to leave the territories occupied since the 1967 war.

• The question of Namibia, urging independence for South-West Africa and sanctions against South Africa.

• The policies of apartheid of the government of South Africa,

again urging sanctions.

• The situation in Afghanistan, calling for the withdrawal of for-

eign, meaning Soviet, troops,

The situation in Cambodia, calling for the withdrawal of foreign, meaning Vietnamese, troops. Some of the deepest concerns here are discussed only in corridors, not on the assembly floor. to Poland, a topic regarded as too delicate for debate, and Iraq's con-

timing war with Iran. Any country can propose an item for the agenda, but most are reluctant to do so unless they are assured of a majority that will serve their political ends.

These reappear year after year through a simple formula. Typical-ly, the culminating resolution requests the secretary-general to make a report on Israelis, Cambo-dians, South Africans or Afghans and deliver it to the next General

The Asian and African members frequently demand self-determination, particularly for groups they say are oppressed by nations outside their borders. As a result, the two regions lead the cry for the rights of Palestinians against Israel rights of Palestinians against Israel and Namibians against South Africa. The two continents, however, appear far more tolerant of apparent oppression by one of their

There was a test earlier this month when an assembly committee debated a resolution urging "the right to self-determination by the people of East Timor."

the people of East Timos:
East Timor, part of the Malay archipelago, was a Portuguese col-ony until 1975. When the Por-tuguese left, Indonesia moved in with soldiers, planes, napalm and tanks. The troops are still there, fighting the guerrillas of Fretilin, a Portuguese acronym for the Revolutionary Front for an Independent East Timor.

At the UN, Fretilin's representative, José Ranos-Horta, works with other former Portuguese colonies such as Angola to win political support for his guerrillas.

In the latest vote, Mr. Ranos-Herta wen by a tidy majority, 58-40. But, except for Algeria, every Arab nation that took a position voted against him. Indonesia is Moslem, and religion was thicker than principle. The Umted States, which admires Indonesia's oil and anti-Communism, also backed

U.S. Envoy Arrives in Paris

The Associated Press PARIS - Evan G. Galbraith arrived Monday to begin his duties as the 26th U.S. ambassador to

Aworld of difference in London that won't cost the earth. A single room at £26 only! BAILEY'S

# To Anderson, Stockman's Up to Old Tricks

By Francis X. Clines and Bernard Weinraub

New York Times Service WASHINGTON - Former Rep. John B. Anderson, the once and, perhaps, future candidate for president, returned from India last week and experienced the shock of dejà vu as he caught up with the tale of David A. Stockman's confessional

use of journalism.

Amateur psychologists all through the capital are still speculating on just what sort of self-destructive or Machinellian impulse might have driven Mr. Stockman, the president's budget director, to build a separate record of startling candor and doubt with a magazine interviewer, even as he publicly directed the administration's budget program. Mr. Anderson, who gave Mr. Stock-man his big start in politics, leans decidedly toward a Machiavellian theory.

"It was in 1975 and David Stockman was exec-

utive director of the House Republican Confereuce, working for me, in effect, since I was chair-man," Mr. Anderson, a Republican from Illinois, man," Mr. Anderson, a Republican from Illinois, recalled. "Without my knowledge, he contracted with the magazine Public Interest to do a piece that drew a great deal of attention by undertaking to savage a number of the positions that I, myself. happened to bold."

### Instinct for Attention

That article, "The Social Pork Barrel," was a striking statement along neoconservative lines that Mr. Anderson finds instructive now, six years later, not so much for its philosophical holdings as for its measure of Mr. Stockman's great instinct for attracting attention. "He's a young man who wants to be sure he's out front and far from hiding his light under a bushel."

That article helped launch Mr. Stockman on his own into elective politics, and he won a Michigan congressional seat the following year, Mr. Anderson noted. Is it somehow possible that this latest instance of Mr. Stockman's vividly broadcasting his views might lead, as some speculate, to his running for governor or senator from Michigan next year? Mr. Anderson thought that over for a

"I would not underestimate that Machiavellian guile of this young man," Mr. Anderson replied rather cheerfully, as if there may, indeed, be a pathology to everything in politics.

As for his own self-promotion, Mr. Anderson noted that he currently had a fund-raising committee, the National Unity Campaign Committee, that is registered with the Federal Election Commission and that provides a handy "holding pattern" as he makes overseas trips and continues to lecture on politics around the nation. The committee, he said, mainly raises money to keep up to date his master list of 250,000 contributors he won over in his 1980 independent run for presi-

The question of deciding whether to run again is a bit off in the future, he said. "I must be properly demure, as Walter Mondale says," Mr. Anderson commented. He agreed however, that there is "a certain perspicacity" in the suggestion that it would be extraordinary if he kept alive a list of 250,000 contributors with a staff of five merely to announce eventually that he would not

Minister of Finance Luis Ugue-

to and other economic advisers to

President Herrera believe that the

private sector should be freed from

excessive government controls and

that prices should be determined

goal, and the cost of living for the

first nine months of this year rose

9.8 percent, well below the annual

as this year. An estimated \$2 bil-

oil is offset by an increase of \$1

agency has about \$5 billion in sur-

plus oil income set aside for invest-

ment in long-term internal proj-

ects. . .

rate of 20 percent last year

# Venezuela Asks Where Oil Bonanza Went And Takes Steps to Deal With a Recession

By Juan de Onis

nal Herold Tribune CARACAS — Seven years of oil bonanza have come to an end in Venezuela with many complaining that huge investments of petrodollars to expand the economy have not improved real incomes or the quality of life.

The oil bonanza? I didn't see any. It all went to the 20 percent at the top," said Luis Aviles, 32, who thought that he had a great oppor-

tunity six years ago.

Mr. Aviles quit his job in a big bank's parking garage and collected \$6,000 in severance pay under a law passed in 1975 to give workers "stability." He invested in his own sationty. He invested in his own anto repair shop and felt "inde-pendent," he said. But now busi-ness is bad, prices are high and Mr. Aviles, with a wife and three children, is looking for a govern-

The feeling of frustration is widespread, heightened by a recession and growing unemployment. Businessmen are also depressed. There are still appearances of extravagant consumption in whisky and beer sales, trips to Miami and Paris, and full tables at elegant res-taurants. But sales of automobiles and household appliances are slow. Construction is depressed. After reaching a high plateau, the

economy has stagnated. Venezuela's per capita income of about \$2,500, excluding oil export income, is about the same, when adjusted for inflation, as it was in 1974 when the oil boom be-

But how can a country spend derived from exports of two million barrels of oil a day, at ever increasing prices over seven years, and wind up with a recession and Harry von Zell, widespread public disenchantment?

From all indications, Venezuela tried to do too much, too fast, with insufficient human resources and inadequate organization. As a result, it is now suffering from a bad

case of economic indigestion.

The problem of absorption was not apparent at first when the petrodollars began to roll in after OPEC quadrupled prices at the end of 1973. Former President Carlos Andres Perez, the first of the big spenders, doubled public spending in each of his first two years in office. The economy surged, with real growth averaging

5 percent a year per capita be-tween 1974 and 1977.

But by 1978 the overheated economy was giving distress sig-nals. Price controls and ever increasing consumer subsidies could not fully offset inflationary pres-sures. Projects involving billions of

### Union Assails Brazil For 'Denial of Rights'

GENEVA — The jailing of 11 Brazilian union leaders after a strike was condemned here Mo day by the International Metalworkers' Federation as "an outrageous denial of trade union

Metalworkers' leader Ignacias da Silva and 10 other union leaders were sentenced to jail last Thursday for encouraging a strike which paralyzed Brazzl's automobile industry for 41 days.

170,000 new public employees hired by this government. dollars in investment encountered delays and buge cost overruns. Private investment dwindled and real

The paradox of Venezuela's dual growth began to decline. economy is that, while the exter-nally oriented oil sector increases This was the situation when the voters rejected the incumbent revenues, the government can maintain an appearance of eco-nomic well-being by allowing \$11 billion in imports last year, hand-Democratic Action party and elected President Luis Herrera Campins of the Social Christian Party, who promised to moralize the public administration, reduce ing out thousands of government jobs, maintaining cheap consumer prices by billions in subsidies and inflation, free the economy of state covering the buge deficits of state enterprises. But the domestic econcontrols and emphasize human needs in development spending. omy does not grow.

The new administration, in what may have been a serious miscalculation, moved to "cool off" the economy and reduce inflation by cutting back on public spending and tightening credit. At the same time, in an attempt to stimulate private sector production, price controls were lifted on some consumer goods and construction ma-

The result was a 20 percent in-crease in the cost of living last year after union pressure forced Congress to pass a mandatory wage increase over the government's objections. Tight credit and market uncertainty brought an even steeper decline in private invest-ment, which fell 33 percent from 1979. The recession took hold with a 1.2 percent decline in gross do-mestic product last year, according to the central bank.

The stagnation of the domestic economy has continued this year despite another big increase in oil income last year that provided the government with \$13 billion in fiscal revenue. The administration increased current government spendpercent, part of which is to pay for

# Radio Announcer In U.S., Dies at 75

Los Angeles Times Service
HOLLYWOOD — Harry von Zell, 75, an actor and comedian best known as one of the rich-voiced announcers of radio's goldon years, died Saturday of cancer.

During the last two decades, Mr. von Zell had been familiar as the spokesman for the Home Savings and Loan Association. From 1950 to 1958 he played a leading role in "Burns and Allen" on television. In the 1930s and 1940s, Mr. von Zell was the announcer on as many as 20 radio shows a week. Among them were programs star-ring Eddie Cantor, Fred Allen, Phil Baker, as well as "Stoopnagle and Bud," "The March of Time," "Henry Aldrich," "The Amazing Mr. Smith" and "Ben Bernie."

Mr. von Zell also made a memorable "blooper" on nationwide radio in introducing the U.S. chief
executive. "Ladies and gentlemen," Mr. von Zell intoned solemnly, "the president of the United States — Hoobert Heever."

# William Rosenblatt

NEW YORK (NYT) - William Rosenblatt, 88, a financier and a director and organizer of many companies, died Sunday. He was a founder and director of the Postal Telegraph and Cable Co., which merged with Western Union after World War II.

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# As U.S. Criticism Rises, Nicaragua Moves Closer to Russians, Arabs

By Christopher Dickey Washington Post Service

MANAGUA - While criticism from Washington grows sharper and more bellicose, Nicaragua is steadily strengthening a broad range of ties with the Soviet bloc and with such revolutionary Arab states as Libya. While the Sandinista govern-

ment here is avowedly Marxist ori-ented and describes itself as "internationalist," observers see this trend in relations as more the product of desperation than a natural affinity with its new allies.

The guiding principle behind these links, although never so explicitly stated by the Nicaraguans, appears to be based on the old idea that "the enemy of my enemy is my friend." is my friend."

The Sandinistas have suspected Washington since the days of its support for the Somoza dictatorship of being their worst enemy, and in recent weeks the Reagan administration's public statements have had the effect of confirming

### Lull ls Over

Despite a visit here in August by Thomas O. Enders, the assistant secretary of state for inter-American affairs, and an ensuing lull in the verbal war, those attacks have now resumed as Secretary of State Alexander M. Haig Jr. and other high U.S. officials repeatedly have denounced the Sandinistas and refused to rule out military action against them.

To back up its words the Reagan administration recently derailed a desperately needed \$30-million loan to Nicaragua by the Inter-American Development

Nicaragua has replied by denouncing the Reagan administra-tion for what it terms "aggressive adventurism," and at the same time has turned to the East. The

Sandinistas have firmed up their long-standing ties to Cuba and have gone beyond those to em-brace the Soviet Union, its European allies or anyone else at odds with Washington. As the Reagan administration draws up a kind of international by supply and demand. At the same time, Mr. Ugueto has made the reduction of inflation a major

enemies list ranging from Presi-dent Leonid I. Brezhnev of the So-viet Union to Fidel Castro of Cuba to Col. Moamer Qadhafi of Libya, that is where the Sandinistas look

### Biggest U.S. Concern

The budget proposal for next year calls for \$18.9 billion in spending, which is about the same Nicaragua still depends on Western countries, especially Mexlion decline in fiscal revenue from ico and Europe for much of the economic aid it receives. Even as Defense Minister Humberto Ortebillion in internal tax revenues and larger investments by the Veneznega visited Moscow last week, Agrilan Investment Fund. This state culture Minister Jaime Wheelock was seeking money and moral support in Bonn.

But of most concern to the United States are Nicaragua's growing forces.

military ties to avowed enemies of

Both Nicaraguan officials and diplomatic sources say there is no firm evidence of foreign troop concentrations here or large shipments of military aircraft from Soviet allies to Nicaragua. But more than 50 Nicaraguan pilots trained to fly MiG fighters are now returning from Bulgaria and other Eastern bloc countries, according to the

East German, Cuban and other military advisers trained by Soviet allies are reported in large numbers on Nicaragua's troubled Atlantic coast, and, according to a well-informed Sandinista official, they also have a strong presence in the military headquarters in Mana-

Both the Army's Sector 2, mili-tary security, and Sector 5, secret plans, have a particularly large number of advisers, the officials said while declining to give specific

figures.

Arms have been supplied to the Sandinistas by the Soviet bloc, Algeria and Libya as the government here continues the rapid buildup of its military. But the current estimated strength of the regular Army remains about 25,000 soldiers and the militias, a strictly defensive force, have not yet enlisted 100,000 people despite Sandinista hopes for twice that number.

Looking for Help Beyond the military links that have developed gradually over the last two years, a totally new ele-ment in Nicaraguan life is the overt presence of propaganda from the Soviet bloc and even Libya, of-ten making a curious mix with Nicaraguan traditions and the longstanding orientation toward Amer-

# U.S. Nuns Missing In Guatemala

GUATEMALA CITY - The U.S. Embassy says it has asked the government to look for two U.S. Roman Catholic nuns, a Guatemalan priest and a seminary student missing since they left on a short automobile trip in western

Guatemala Thursday.

Martin Ronan, an embassy spokesman, said Sunday night that church officials in Solola province notified the embassy Saturday af-ter Father Jose Velasquez, Sisters Jean Reimer and Helen Lavalicy of Grand Rapids, Mich., and the unidentified student failed to keep appointments in the area.

Nine priests have been killed this year in Guatemala. They are believed to be victims of the violence between leftist guerrillas and rightists and government security

On Managuan news stands in addition to U.S. comic books and magazines, one finds Col. Qadhafi's "Green Book, " "Soviet Life," and "Soviet Film."

The Nicaraguan foreign minuster, Miguel D'Escoto, points to his country's desperate economic situation and the perceived threats against it as the reason for Nicaragua's ties to the Eastern bloc and Libya.

Nicaragua needs help anywhere it can find it and to that end Mr. D'Escoto is already planning another trip to the Middle East in January. Nicaragua is seeking aid from Libya and the Arabs precisely because it does not want to depend on the Russians.

As a Libyan official here said in English, "We are not Brezhnev. But we all know the U.S. is the great enemy."

### Spanish Drivers Punished

The Associated Press MADRID — The national traf-fic board on Monday suspended for three months the driver's licenses of 1,500 motorists and fined them 20,000 pesetas (\$2,00) each for honking and disrupting traffic Sunday during rally marking the sixth anniversary of Franco's





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# Page 4 Tuesday, November 24, 1981

Ulster's Passions of Fear The angry Protestants who threaten to make Northern Ireland "ungovernable" could do just that. Twice before, in 1914 and 1974, they have risen against British governments and forced a fundamental change in British policy. By promoting Monday's protest strike, hard-liner Ian Paisley is reminding Britain that the armed Protestant majority is capable of nullifying any concessions to the province's Catholic minority.

It is a reminder as well that there is no quick fix for Ulster's agony.

Protestant Unionists have genuine cause for anger. After the failure of its prison hunger strikes, a frustrated Irish Republican Army has loosed a savage bloodletting. Its guns have claimed civilians as well as soldiers, the obscure as well as the prominent. Until the terror abates, there cannot be even a semblance of rational diplomacy. If ending it requires more troops, then Britain is right to send them. But what is more likely to foil the IRA is revulsion among Northern Ireland's 500,000 Catholics.

One of their leaders, John Hume, condemns the IRA campaign as "sectarian genocide" against Protestants. The killings strip the romance from incendiary fanatics, who can be seen as stealthy murderers and implausible martyrs.

But there is another source of Protestant wrath: ongoing talks between London and

Dublin, which have yielded a plan for an Anglo-Irish council. The plan remains embryonic, and both governments agree that only by mutual consent can the predominantly Protestant North ever be united with the mainly Catholic South. But Paisley scents betrayal. He all but calls for the head of James Prior, Britain's new secretary for Northern Ireland, a liberal-minded Conservative.

In assailing Prior, Protestant hard-liners put themselves in a peculiar position. They preach loyalism but come close to encouraging sedition. And by claiming a veto over Britain's relations with the Irish Republic, they place themselves above the nation that has committed money and blood to defend them. These unreasoning attacks strain the very tie that Paisley wants to endure forever.

If these passions are unreasoning, the fears that feed them are real. By all means let Britain press for a more open border between the two Irelands, and for the political rights of the North's Catholic minority. Sheer weariness after a decade of violence may yield an opening for change. Belfast's stricken economy, its appalling level of unemployment, could also give scope for statesmanship.

What cannot be forced is the pace of history. This is a time for a truce, not a breakthrough. Impatient Americans would be wise to expect no more.

THE NEW YORK TIMES.

# Reagan and the AFL-CIO

In a fiery speech before the AFL-CIO's constitutional convention in New York last week, the federation's chief, Lane Kirkland, widened the distance between organized labor and the Reagan administration. Even as the delegates applauded, bowever, the administration was making new overtures to the labor movement. President Reagan directed the heads of federal departments and agencies to consult with labor on policy matters, and invited labor leaders to confer with him next month.

This leaves the AFL-CIO's leaders with a tricky choice. Should they continue the federation's drift toward closer alignment with the Democratic Party, or begin to do serious business with the party in power?

Organized labor has found new unity in recent months in its opposition to the Reagan economic and social policies. Solidarity Day was a big success for Lane Kirkland's efforts to make the labor movement a more aggressive and potent force on the political scene. You can't take to the streets very often, however, and keeping the spirit of protest alive may require something that neither labor nor the Democrats currently have - a platform that responds to the changing needs and attitudes of the rank and file.

A substantial minority of union members voted a year ago for Ronald Reagan. Among those workers that organized labor might hope to recruit in the future, Republican support, or at least conservative leanings, may well be still stronger. Perhaps some of those

workers have changed their minds since last November, as the details of the president's program became clearer. Nonetheless, the feeling that the old policies weren't working was a real one, and it needs attention.

This is not to say that every element of discontent among labor's ranks deserves consideration. The labor movement has rightfully prided itself on leading its membership in some directions -- notably toward civil rights and social welfare concerns - that the membership might otherwise have been reluctant to take. But Union members are better educated and more sophisticated than they were a generation ago. They want different things from their jobs, and they are more aware of the real limits placed on their demands by a stagnating economy, shifts in the structure of industry and international competition.

As labor's leaders come down to the specifics of how to address those concerns and generally advance labor's cause on the political scene, they are likely to realize that they will need some help from the federal government even if Ronald Reagan happens to be running it. Many issues important to labor are more a matter of good public policy than ... of partisan politics. Lane Kirkland recognized that two weeks ago when he called upon the government to help organized labor root out crime and corruption in its ranks. The AFL-CIO and the administration might well use that overture as a basis for exploring any common ground.

THE WASHINGTON POST.

# On Music and Money

The National Symphony has ended its fiscal year in the black - a hopeful sign, and highly unusual. For most of its long life, the orchestra has teetered along the brink of financial collapse. The quality of performances has risen to a high level in the last few years, but quality, in music as in most other things, does not come cheap. Resources. lagged behind. A year ago the orchestra was still running its customary large deficit.

Fund-raising has been, in the past, peculiarly difficult in Washington. Average incomes are high, but because it is not an industrial city Washington has not produced the great blocks of wealth that endow universities, museums and orchestras. There have been notable exceptions, but generally speaking the traditional methods of recruiting support for the arts have worked badly. The orchestra's recent success reflects interesting changes not only in its fund-raising strategy, but in the economy of Washington as well.

In the past decade there has been a rapid increase in the number of business corporations with substantial operations in Washington. The orchestra has been in touch with a

good many of them with the help of the Third Sector Project, a nonprofit organization whose purpose is to help other nonprofit organizations in the struggle to balance their books. Corporations, and accounting and management firms, first donated analysis and advice in the areas in which they are skilled - marketing, organization and financial planning.

Ticket sales rose. Private contributions from ticket-holders rose. Then corporate contributions rose. That is the sequence in which it usually goes, since corporations' donations rarely reflect one person's taste but rather require a showing of public support. That, incidentally, is wby individual gifts are important even when they aren't large.

You cannot say, unfortunately, that the National Symphony's financial troubles are over. The past year's income included a federal contribution of \$1 million that is not likely to be repeated. The orchestra's budget, like all budgets, rises with inflation, and ticket sales cover less than half of it. But the current progress is promising.

THE WASHINGTON POST.

# Other Opinion

# Deterrence and European Security

Europe does not owe its longest period of peace in this century - 36 years so far - to pacifism, disarmament, politically slanted peace appeals, neutralism, diplomacy or policies of détente, but to deterrence. In other words, to a convincing capability to make an armed attack an intolerably high and incalchlable risk for an aggressor. Here is a fact that must be borne steadfastly in mind in resisting the illusions and hysteria of the suicidal public debate that is now threatening to undermine this fundamental pillar of European security. - From the Neue Zurcher Zeitung (Zurich).

# For Negotiations on Afghanistan

The UN General Assembly's call for immediate withdrawal of Soviet troops from Afghanistan is no doubt embarrassing to Moscow, but what purpose does it serve? The sooner negotiations start the better for all

- From the Indian Express (Delhi).

# Nov. 24: From Our Pages of 75 and 50 Years Ago

# 1906: Collision at Cherbourg

CHERBOURG - As the ship Kaiser Wilhelm der Grosse was leaving Cherbourg for New York Wednesday, she came into collision with the Orinoco, of the Royal Mail packet company. The Orinoco, bound for the West Indies, was coming from Southampton to call at Cherbourg when the Kaiser Wilhelm struck her starboard bow and crashed through into the forecastle, ripping such a hole in her that the Orinoco could not continue her voyage. On board the Kaiser Wilhelm, four third-class passengers were killed and about eight injured. There was an alarming panic on board, especially among the emigrants. The Orinoco lowered a boat filled with women.

# 1931: German Editor Jailed

BERLIN - Carl von Ossietzky, editor of the liberal weekly Die Weltbuchne (The World Scene) and one of the most brilliant of German journalists, has been sentenced to six months in prison by the supreme court at Leipzig for betrayal of military secrets. Ossietzky's offense consisted of permitting an article by the German air pilot Walter Kreiser, who received a similar sentence, to be published in his periodical, criticizing the Reichswehr military budget. Kreiser denounced the swollen estimates of the German defense ministry, and hinted that it is spending more for . armaments than either the German taxpayers or the outside world are permitted to know.

# **Attention Shifts From Arms to Arms Talks**

BONN — President Ronald Reagan said the right things on war and peace last week, and just in time. Soviet leader Leonid Brezhnev arrived in Bonn Simday night facing a new pressure to respond, after nearly a year of posing as the peace champion while Washington sounded increasingly belliger-

ent to European ears.

The damage that had been done in terms of European opinion should not be underes-timated. The Western alliance depends on consensus, because democratic governments depend on public opinion. Rhetorical exchanges are indeed a propaganda war for the Russians because they needn't worry about voters or demonstrators at home or among friends.

But American statements are much more important. They affect the politics and thus the decisions of the allies. That, in turn, affects the security of the United States, as well as Europe, in as direct a way as the American defense budget.

A little balance has been restored on the political scale even though the military balance has not yet been touched. It is right to warn against any hope for quick progress in the four sets of negotiations Reagan fore-sets: on conventional forces in Europe, me-dium-range nuclear weapons, intercontinental missiles, and ways to diminish the risk of surprise attack or war by miscalculation.

But Reagan's speech made very substantial progress on a key issue, if it meant what semed to mean in a little-noticed passage. "Preservation of peace in Europe and the pursuit of arms reduction talks are of funda-

mental importance. But we must also help

By Flora Lewis

to bring peace and security to regions now torn by conflict, external intervention and war," he said.

That is the old question of "linkage," and it goes to the heart of fears that have been building in Europe. Since the Soviet invasion of Afghanistan in 1979, the United States has taken the stand that arms control is a kind of concession to the Russians, to be offered only in return for an end to their activity outside the Communist bloc.

### Unlinkage

Former Secretary of State Cyrus Vance and a few others demured, saying limiting the nuclear arms spiral was just as much in the interest of the United States and shouldn't be tied to other, less direct forms of East-West rivalry. But the dominant theme, especially in the Reagan administration, seemed to be that America wasn't interested in dealing seriously with Moscow about anything until it had a whole new range of weapons - which Moscow said it would match

This kind of talk led to a tendency of equating superpowers, and thus to neutralism. Chancellor Helmnt Schmidt of West Germany has not been immune from that reaction himself, even though he threatened to resign if negotiations fail to bring with-drawal of Soviet weapons and his countrymen nevertheless refuse new U.S. missiles.

The exercise put West Germany in a new position, at once the apparent lever that pried open the door for Moscow to talks

with the United States, and the most promising lever for Moscow to achieve its old ambition of prying Western Europe away from

Washington.
The extent of drift is reflected in Schmidt's disclaimer that he wants to be middle man" between Brezhnev and Reagan. He only wants to be "interpreter." That shouldn't be needed if Reagan is really saying now that the United States wants arms reduction for America's sake as well as to ease European fears, and is putting dangerous but secondary issues in second place.

Serious arms reduction talks will require fundamental review of American and NATO strategy and how it must adapt to Soviet achievement of nuclear parity. They will also lead to important questions on So-viet doctrine, which Moscow has been able to avoid in the period of polemics and arms

Brezhnev says the Soviet Union would never use nuclear weapons first, and at the same time that any country that deploys American weapons automatically risks Soviet attack. He doesn't mean it would be targeted after the missiles have been launched. There is a contradiction here. These are issues the United States and the

Russians must discuss. Once they do, the doubts about U.S. intentions for peace should be easier to dispel. The repellent idea that equal efforts to expand their arsenals make the superpowers equal in other ways, including moral and political attraction, was

fed by the focus on the arms race. Propaganda plus weapons was to the So-viet advantage. Weapons without a clear



policy of negotiation and occusione were not advancing the Western cause. The Unit-ed States, by the nature of its system, cannot, succeed at being two-faced. Unlike Moscow, it must do what it says and say what it does. But that is a strength, not a weaklyins if Reagan pursues the policy he has at last pro-claimed, that should soon begin in abow.

# Seeing Western Strategy as 'Naive to the Point of Absurdity'

BOSTON — President Reagan has set out the U.S. position for his administration's first arms control negotiation with the Soviet Union, due to start Nov. 30 in Geneva. The subject is theater nuclear forces, as they are called: nuclear weapons systems based in and designed for use against Western En-

rope and European Russia. In advance of those negotiations, two important British voices have challenged the fundamentals of Western nuclear strategy in Eu-rope. Field Marshal Lord Carver. who is probably Britain's most eminent soldier today, spoke of an "unrealistic and suicidal concept." Professor Michael Howard of Oxford, a leading military analyst, said some Western strategie think-ing was "naive to the point of ab-

The Carver and Howard comments, made in lengthy letters to

D cheering soccer fans at Bel-fast Windsor Park last Wednesday

to see Northern Ireland beat Israel

for a place in the finals of the World Cup in Spain next year. The only time they were silent was

when it was announced that in

London England had beaten Hun-

Those two gestures illustrate in a

mushell the split personality of the Ulster Protestant. He feels British,

because that is how he has been

brought up, but he has learned that the British don't want him. So

he remains true to his ideal of Brit-

ishness — the royal family — but shouts his defiance at all British

The reason why he resents West-

minster politicians is simple. In

1921 they gave him his own parlia-ment when they partitioned the is-land into the six counties of North-

ern Ireland and the 26 counties of

the Irish Free State (now the Irish

Republic). But when the one-third Catholic minority, which never wanted partition, rebelled against

the one-party Unionist govern-ment in the late 1960s and early

1970s, Edward Heath's conserva-

tive government took the Northern Ireland Parliament away in 1972.

Angry

in 1974 when the British set up a

precarious power-sharing adminis-tration of Protestants and Catho-

lics, Northern Ireland has since

Direct rule would suit many Un-

ionists in normal circumstances.

since it dispenses with the need to give Catholics a role in an Ulster Parliament. But when the IRA is active, as it has been recently, it

means that internal security

against the gunmen who are shooting down Protestant members of

the security force is in the hands of British politicians. Without power or responsibility the Protestants can only complain about govern-ment policy and stage angry dem-

This is regarded by many Prot-

estants as a demeaning position for people who, until a few years ago, could rely on wholehearted British support, and their sense of betrayal is widespread.

The Protestants were originally

settled in the 17th century, like the early Americans, to pacify a rebel-

lious province. They never inter-

married with the native Catholics,

and have been withstanding Irish

nationalist attacks at regular inter-

vals — with British help — since the 1790s. Only now that the na-tionalist cause is gaining ground in Britain, after 13 years of guerrilla warfare, does it look as if the Brit-

The basis of the Protestants'

predicament can be found in their

majority-minority status. They are a majority — falling but still 60 percent — in Northern Ireland,

which was carved out for their

benefit, but a minority on the is-

land, by 1 million to 3½ million. They are constantly being remind-

ed, also, that they are a tiny minor-ity in the United Kingdom, which now wants better relations with the

In that context it is hardly sur-

prising that normal politics have for the Belfast Telegraph.

Irish Republic.

ish are looking for a way out.

oustrations.

been ruled directly from London.

Except for a five-month period

gary. Yet only minutes earlier the

The Times of London, should be considered by all the American politicians and diplomats and military men who deal with nuclear arms questions. The two Britons throw fresh light on the hot current issue of whether to deploy new U.S. nuclear weapons in Eu-

rope — and on deeper questions.
Two years ago NATO decided to deploy on the ground in Europe 572 medium-range missiles that could hit the Soviet Union: Pershing-2 and Cruise missiles with thermonuclear warheads. They were to counter a new Soviet weapon, the SS-20, a mobile missile that can reach Western Europe and is already on station in large numbers. But the Pershing and Cruise

sissiles have not yet been deployed, and they have become an extremely difficult political prob-

all elections is the existence of the state, so the results simply reflect

The Ulster Protestant feels that

the whole world is against him -including the United States, which

he sees as the main source of IRA

as the arch destroyer. In the Prot-

estant view, she has yielded to

Irish nationalist pressure to bring

Dublin into the discussions, intro-

ducing the ultimate Protestant fear

of a sellout to a reactionary Catho-

Apart

The Protestants reject any at-tempt to link them with the Re-public except through trade or sports. Their politics have always been anti-Irish rather than pro-

British. "Ireland" is a dirty word

for many, and Unionist newspa-pers invariably refer to the Irish Republic or Eire, the Gaelie term.

No one regards himself as "North-

ern Irish." Catholics are Irish and

themselves strictly apart, partly for

survival and partly to preserve their different cultures, the Gaelic

Irish and the Protestant British.

The Protestant working class has

little experience of how the other

lives, although it is much the same, and this is intensified by the sepa-

rate school systems.

As the average Protestant sees it, the Ulster Catholic has little to

Determined

Assurances that neither the Brit-

ish nor the Irish desire any change

in the constitutional position with

out majority consent do not lessen Protestant concern, nor does the

Irish premier's promise to cam-

paign to remove the Republic's claims to Northern Ireland from

the 1937 constitution. The feeling

remains that Britain is seeking a

way of leaving its oldest colonized

province - and Protestants are determined to make it as difficult

It is hard to say how much ac-

tive support there is for Ian Pais-ley's plan to disrupt British rule in Ulster. There is a natural reluc-

tance to rebel against Britain. Still, no one doubted that there would

be a massive show of strength

Monday, when Paisley had called

for a work stoppage from noon to

Meanwhile, revolutionary forces are at work in the paramilitary Ul-

ster Defense Association, which

may take advantage of Paisley's protest movement to further their

aim of negotiated independence

for Northern Ireland. Few Union-

ists yet, including Paisley, take it

This time round, the British should be capable of handling the

emergency and preventing the pro-

test from escalating. But the Brit-

ish political will to bail out Ulster

forever with troops and financial

Barry White is an editorial writer

aid is weakening.

In Ulster the two sides have kept

Protestants are British.

The unkindest cut has been the

the population bounds.

guns and funds.

lie republic.

The Ulster Protestant:

Too British to Endure?

By Barry White

BELFAST — There were 40,000 been impossible. The only issue in

same largely Protestant crowd had stood to attention to sing the British national anthem, "God Save transport of the Conservative prime minister, Margaret Thatcher, who once declared herself "rock transport of the Conservative prime minister."

By Anthony Lewis lem for European governments. They are a principal target of the anti-nuclear demonstrations going on these days in several countries. Opposition to the new missiles in Chancellor Heimut Schmidt's Social Democratic Party could bring

down the Bonn government. Howard, in his letter, attacked the whole idea of "matching" the SS-20s with new American missiles in Europe as an unnecessary and divisive strategy. He said history would put it in the same eccentric category as the "multilateral force" proposed and eventually abandoned by Washington in the 1960s. That idea was to put muclear missiles on ships manned by mixed crews from various NATO

Only "meticulous pedants" be-lieve that nuclear deterrance no

longer carries conviction unless it is "precisely balanced at every level," Howard said. He said the United States had attached "exagscrated importance" to the views of a "very small number of European specialists" on the threat of the SS-20, just as the United States was led down the blind alley of the multilateral force by a misreading of European views.

There is no consensus in the European defense community, Howard wrote, "and no sense among the European peoples as a whole, that the SS-20s present a threat of a new order of magnitude." He said they remain "a very small proportion of the enormous nuclear force that the Soviet Union is capable of launching against Western Europe."

He dismissed as politically

naive" the idea that "the Russians can only be deterred from stuck." ing us by the installation of ground-launched must be matched by ground-launched missiles." The true deterrent he said, remains the whole network of American links to the European at-hes: military installations, the sub-marine-based nuclear force, economic and social ties.

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Then Howard took on what has long been a premise of NATO strategy: that the West, because it is weaker than the Soviet Union in conventional forces, must rely on the first use of nuclear weapons to defend against attack on Europe. Howard called that doctrine "not only morally dubious but political." ly and militarily incredible."

That was the point at which Lord Carver directed his extraordinary letter. He condemned "the, concept that an madequacy in conventional forces can be compensat-, ed for by the threat to use, and, if the deterrence of that threat failed. actually [using] theater nuclear, weapons in a first strike to counter a conventional invasion."

That strategy had been incredis: ble and irrational for over 29; years," Lord Carver wrote, "every since the Soviet Union gained the capability to answer back in kind ... To initiate nuclear war would not redress or restore the situation, it would be an act of unredeemable folly."

Like Howard, Lord Carver emphasized the need for NATO, countries to build up their conven-tional strengths. He warned that unless NATO abandoned its unrealistic and suicidal" dependence on a nuclear response, "it will not set about putting its conventional.

house in order."

These days, U.S. spokesmentend to dismiss many critical comments on nuclear weapons as soft-headed or worse. Vice President Bush said last month that the rhe toric of anti-nuclear demonstrators was "oddly consonant with the ed-itorial line" in Moscow Lord-Carver and Howard cannot be brushed off so crudely. Nor can their point that the real military problem of the West, in Europe and elsewhere, is conventional

\$1981, The New York Times.

# In Defense of British Workers

An article (IHT, Oct 15) unfavorably comparing the production of Ford Escorts in Britain with that in Germany and placing the blame on British workers needs to be placed in a proper context.

Ford production schedules are always a function of market demands. At the beginning of 1981, Ford Fiesta production at Dagenham, England, was only 70 per day. After a couple of months it picked up to 200 a day and by midsummer was running at 350 a day. Had British Ford workers miraculously become complain about in a British wel-fare state paying high benefits to large families, and yet he appears to be in constant rebellion. five times more productive over a six-month period? No, the answer lay in the fact that Ford became po-litically sensitized to the import of Escorts from its low-wage Spanish plant, coupled with a sharp in-crease in British demand. Dagenham's increase in production was a management decision.

The comparison between Ford British and West German wages also demands some thought. British wages are, in any case, one-third lower, but, more important, the cost of non-basic wage benefits in Germany approaches 80 percent of basic wages, and only 30 percent in Britain. The links between wages, non-basic wage benefits and productivity are com-plex. The only safe rule of thumb is that higher pro-ductivity permits higher wages, but higher wages can act as an inducement to workers to perform more effectively and equally encourage management to reorganize and modernize so as to increase productivity. In West Germany, labor costs as a percentage of sales costs are 28 percent, whereas in Britain they are only 23 percent.

The fact that Ford U.K. is a low-wage operation thereby guaranteeing easy profits is hardly likely to spur British management to increase productivity. Not that that stops Ford management from looking after itself: According to Ford's annual report last year, the number of employees in Ford U.K. earning

beween £20,000 and £65,000 rose from 162 in 1979 to 305 in 1980.

One might note in passing that Ford Europe, with its plethora of vice presidents, is located in Britain. Surely, with so much senior managemal expertise located on the spot, a better excuse than lary workers. could be produced? Twenty years ago in the United States we were told

that American workers were lazy compared with their European colleagues. Now British workers are scorned by an American journalist by comparison with their German equivalents. In West Germany, workers are told that they must work harder because Japanese workers are more energetic and committed to the company, while our Japanese unions are now being told that it is the Korean workers who must be emulated if Japan is to stay top of the export market. In short, blaming the worker is an international management pastime.

In otice that no articles celebrating the hardworking habits of British morkers accepted when Ford.

ing habits of British workers appeared when Ford-announced that Britain would soon become the major source of Ford's new diesel engine for export to. Europe and North America, nor when Ford opened a £180-million engine plant in Bridgend — again, hard-ly a sign of lack of confidence in British workers. But then, the extremely skillful Ford public rela-tions departments, whether in Britain, the United

States or West Germany, are adept at encouraging articles aimed at softening up unions just prior to important negotiations.

I want to stress, as an American autoworker living.

in Europe and a member of the Supervisory Board of Ford, West Germany, that the British worker is as good as his or her colleague anywhere else in the world, provided there is the right investment and

HERMAN REBHAN. International Metalworkers' Federation, Geneva.

Lee W. Huebner

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STORS WANTE

# East German Protestant Church **Backs Call for Draft Alternative**

By Harry Trimborn BONN - The East German rotestant Church, apparently emboldened by church supported peace movements in the West, has taken up a call by disaffected youth for a "social peace service" as an alternative to East Germa-

ny's military draft. The number of East Germans seeking alternative service has increased to more than 4,500, according to a report from West Berin. The peace service, or rledensdienst, would permit men 18 to 25 years of age to engage in social work among children, the elderly, the handicapped and others in need of personal assistance

as an alternative to military duty. Like all other Communist states East Germany rejects the concer of conscientious objection to mili tary service, but it does allow those opposed to bearing arms to serve in quasi-military construction

### Fundamental Conviction

The government has rejected nonmilitary alternative service on grounds that it would be contrary to the government's "fundamental conviction" that military strength is the greatest safeguard of peace.

Klaus Gysi, East German state secretary for church affairs, called the church's proposal a violation of the country's commitment to the Soviet-led Warsaw Pact alliance. He claimed that it implied that regular conscription was "anti-social," a view rejected by

the proposal because it calls for official recognition of a right to refuse any form of military service.

door open by stating that all matters in church-state relations are open to discussion.

time of growing international ten-

Under a 1971 agreement, the dominant Evangelical (Protestant) Church and the state have an ac-commodation under which the church avoids any political opposi-tion or anti-Communist activity in return for considerable internal autonomy and freedom to pursue hu-

The agreement affects only the Protestant church, by far the largest in East Germany, with about 8

# **London Transport Fare Cuts** Bring Tax Rise and Dispute

By William Borders

LONDON — The people who sovern London are locked in a bitter legal dispute about a very basic subject — bus and subway fares.

At a time when the price of almost everything else is going up sharply, the fares were reduced last month by an average of 25 per-cent, with the deficit made up by higher real estate taxes. But a suc-cessful court challenge to the reduction has now thrown the case

into the House of Lords. What we are talking about is people's rights," said Ken Living-stone, the 36-year-old left-wing Socialist who became leader of the Greater London Council last spring and immediately ordered the lower fares. "If we are ordered to put the fares back up again, many Londoners will suffer great

The dispute goes to the heart of the struggle between Britain's economic classes, since the fare cut penalized the rich to benefit the poor. The cut, which in the case of some trips exceeded 50 percent, was scheduled to cost the city \$225 million in the first year. The cost would be more in subsequent years since the council promised to hold to the lower level for at least three

To raise that money, London boroughs levied substantial sup-plementary real estate taxes this fall, with the effect being that most out much worse, even if they also used public transportation.

Some of the borough councils mindful of the possible political damage of what they were doing, made it clear that they were acting reluctantly. For example, the Conservative-dominated Kensington and Chelsea Council, which covers an area with many affluent resi-dents, enclosed with the new tax bill a letter referring to it as "un-

# Salvadoran Bishop Says Government **Blocks Church Aid**

SAN SALVADOR — The acting archbishop of El Salvador has said the government is blocking church aid to innocent victims of the country's civil war. He denied that Catholic groups were aiding leftist

In his weekly homily, the Arch-bishop Arturo Rivera y Damas said Sunday there had been no reply to his repeated requests that Catholic relief organizations be allowed into battle zones to bring food, medicine and other supplies

Allegations of Catholic aid to leftists were made last week by Defense Ministry officials and a man they presented at a news conference as a descret from guerrillas forces fighting to topple the U.S.-backed government. These allegations are totally false," the arch-

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the Communist Party. The government is alarmed by

However, according to reports from East Berlin, Mr. Gysi left the

Such discussions could no doubt be tense, due to the uneasy relations between what churchmen call "the throne and the altar."

manitarian activities.

# timely." Of the Greater London said: "We cannot refuse, although we should dearly like to." By law, the borough councils act as collec-

tion agents for the Greater Lon-don Council. Another Conservative-run council, in the southeast suburb of Bromley, took the issue to the Court of Appeal, which ruled in its favor earlier this month. The court

called the fare reduction "an abuse of the council's powers" and ordered the fares back up again, plunging the situation into confu-"I realize that this must cause much consternation to the council," declared the opinion of Lord Denning, the master of the rolls. "They will be at their wits' end to know what to do about it, but it is their own fault. They must un-

scramble the affair as best they

can. They cannot burden the rate payers of London with this supple-

mentary precept."

# Chinese Order News Blackout On Cardin Show

The Associated Press PEKING -- Anthorities ordered a news blackout on a Pierre Cardin fashion show in Peking, apparently worried about its effects on youth, Chi-

nese sources said Monday. The sources, who asked not to be indentified, said authorities decided not to publicize Saturday's event, which featured Chinese men and women models in space suits and other clothes considered strange and

inappropriate by the Chinese. China has begun a campaig against Western "bourgeois libcral ideas and ways." Authorities have urged young people not to be hired by what they consider the superficial glitter of the West and not to forget Chinese patriotism and morali-

The show was attended by about 700 people in two sessions in the ballroom of the Pe king Hotel. It was the first foreign fashion show in China to use Chinese models. Cardin opened a showroom in Peking Saturday and hopes to sign a all churchgoers among the country's 17 million inhabitants. The 1.2 million-member Roman Catholic Church has rejected any accom-modation with the government on the ground that Christianity is incompatible with the atheistic doct-

rines of the Communist state. The Protestant church's position was spelled out at the time by Bishop Albert Schoenhert, who was then chairman of the Evangelical Church Federation: "We don't want to be a church against Socialism, nor a church alongside Socialism, but a church in Socialism."

The call for alternative peace service has strained church-state relations in East Germany at a

East German pastors have been using the pulpit and church decla-rations to voice concern over Eastern as well as Western arms policies and what they believe is the militarization of East German youth, especially through paramiliary training courses for school-children.

The churches have called for reductions in nuclear weapons and other armaments in both the Com-munist and Western arsenals, while at the same time insisting that their views are not aimed at the Communist authorities in East Berlin.

### Term of Abuse

The East German government of Erich Honecker has voiced support for the growing peace move-ments in Western Europe, while rejecting pacifism at home. Yet, Bishop Heinrich Rathke of Schwern declared last summer: "It is dangerous when in both East and West the word pacifism is of-ten treated as a term of abuse. Pacifists help prepare peace; we need

such people."

The leadership of the church in the pacifist movement is open to question. Some sources say that it is merely responding to grass-roots feelings, especially among young people, and has assumed, as the Roman Catholic Church in Poland does, the role of a moderator between the people and the govern-

An indication of the church's role as an arbiter, rather than activist, in the touchy peace-oriented issues is seen in the church's declarations that it is prepared to present the young people's views to the government, and vice versa.

The issue originated last spring among young people, especially in the Dresden area, who called for a possible alternative to the draft in letters and petitions to authorities. The alternative service would be patterned after the one established for conscientions objectors in West Germany in 1969.

# Taking Up the Cause

The issue came to the attention

Mr. Gysi warned in discussions with church leaders that the issue could lead to a confrontation with the state. He charged that alternative service would be tantamount to "lifting general military con-scription." He insisted that the socalled construction soldier option, in force since 1964, already provides an alternative service to

those opposed to bearing arms. However, opponents maintain that the construction service bears military trappings. Construction giance to the National People's Army and wear military uniforms as they work on military buildings and other facilities. Critics also complain that those who choose the construction soldier option are subjected to discrimination in job opportunities, education and other fields after discharge.

Besides, they say, the construc-tion soldier option does not afford an opportunity for an objector to

# Finland Party Fails to Back Soviet Choice

Virolainen Picked To Run for President

KUOPIO, Finland - Ahti Karjalainen, the former foreign minis-ter widely regarded as Moscow's preference for the next president of Finland, has failed to win his party's nomination.

The Center Party congress voted, 2,666 to 1,365, to nominate the parliamentary speaker vote Sunday night ran directly contrary to the recommendation of the Center Party executive and the party council.

The presidency was vacated last month when Urho Kekkonen, who had been Finland's head of state since 1956, resigned because of failing health at the age of 81.

### Oblique Endorseme

In what was seen in Finland as In what was seen in Finland as oblique endorsement of Mr. Karjalainen, Pravda warned Finnish political parties last Friday that any miscalculation on their part over the question of who should assume the legacy of Mr. Kekkonen "could turn out to have consequences that are difficult to anticiquences that are difficult to antici-

Neither Mr. Karjalamen nor Mr. Virolamen has much popular support, according to a recent public opinion poll. The poll showed that 60 percent of voters favored the country's Social Democratic premier, Mauno Kovisto, as the next president. Finns will vote on Jan. 17 and 18 to choose the 301 members of an electoral assembly that will appoint a president on Jan. 26.

Apart from that of his party adership, Mr. Karjalainen also had the open support of the Stalin-ist faction of the Finnish Communist Party, and indirect backing from the Finnish Federation of In-

The federation declared public-ly, just over a week ago, that the country needed a president with strong economic links in the Soviet Union, with which Finland does about 20 percent of its foreign

Mr. Karjalainen, formerly a close associate of Mr. Kekkonen, is co-chairman of the Finnish-Soviet trade commission.

The Finnish multiparty system and the indirect method of electing presidents leaves room for trading in the electoral assembly, making Mr. Koivisto's election far from certain. Analysts here said that Kremlin reaction could still bring Mr. Karjalainen back into the race, possibly to break a deadlock in the electoral assembly.

# **Dutch Organizers** of an Evangelical Church synod in Dresden, which took up the cause Of Peace Rally

AMSTERDAM - The tone of Saturday's peace rally in Amster-dam could lead to a moderation of the Dutch campaign against nuclear weapons in Western Europe, an

organizer said Monday. Freek Bakker of the main Dutch peace movement, the Interchurch Peace Council, said the organizers of the largest European demonstration against nuclear arms had been surprised by the emphasis on mutual arms reduction, and that the movement might now moderate its insistence on unilateral dis-

ly successful," Mr. Bakker said af-ter a meeting Monday to assess the

There were a surprising number of banners aimed both at Soviet missiles and at NATO weapons, though, and this could lead to a shift in the emphasis of our campaign," he said.

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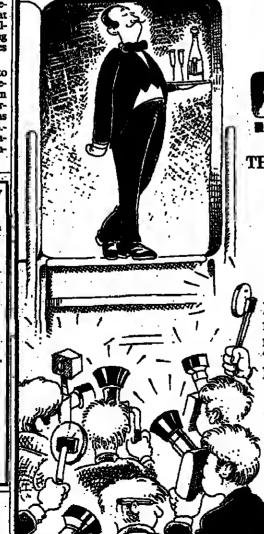




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# American Skyscraper Born Again

By Paul Goldberger New York Times Service

EW YORK - There was a time, just a decade or so ago, when skyscrapers tended to look more or less alike. They were oblong in shape, and made mostly of steel and glass. They were flat on top, and they usually sat behind large expanses of concrete called plazas. If one of them could have been substituted for another on the Manhattan skyline - if one morning a building on Third Avenue suddenly changed places with one on the Avenue of the Americas - it is not likely that very many poeple would have noticed.

Whatever else can be said of the state of the American downtown now, there is little chance indeed of that kind of confusion or indifference. There is a degree of emotion, even passion, involved in the making of skyscrapers today that has not been present since the

1920s.
There is a new wave in skyscraper design, and it is as commit-ted to liveliness and flamboyance as the last generation of tall build-ings tended to dullness and banality. It is yielding excellent buildings in some cases and poor ones in others, but in almost every case it reveals bow much has changed in the world of large-scale development in this country in the last few

The significance of this change extends far beyond architecture and the people who pass into or by it. For architecture has always been an expression of images, val-ues and power as much as of aesthetics. And nowhere has this been more the case than with the skyscraper, that quintessentially American creation, mixing American faith in technology and prog-ress with American theatricality. ress with American theatricality. Renaissance-inspired base is surely the new breed of skyscraper em-

of business toward Americans), toward the environment and toward their own history.

New York is the best indication of this massive change. In the last building boom, in the mid-to-late 1960s, almost oothing of any real architectural interest was pro-duced. Most buildings of that era, projects like the glass and concrete mass of 55 Water Street in lower Manhattan, or the glass boxes on the Avenue of the Americas in midtown, were designed by com-mercial architectural firms which admitted to few interests beyond the quick and efficient creation of rentable space. They used the vocabulary of modern architecture debasing the grammar of the International Style of steel and glass and concrete, which had its roots in European utopian socialism of the 1920s and '30s - to create cheap, simple buildings which may have made sense economically, but added little either visually or so-

cially to the life of the city. Now, the roster of architects at work in midtown Manhattan is altogether different. In includes well-known figures ranging from the partners Philip Johnson and John Burgee to Edward Larrabee Barnes, Cesar Pelli, Ulrich Franzen, LM. Pei and the firm of Skidmore, Owings & Merrill, as well as younger architects, such as the firms of Fox & Fowle, Attia & Perkins and Der Scutt.

Nothing these architects are producing looks quite like what we are accustomed to seeing. Johnson and Burgee's granite tower for the American Telephone and Tele-graph Co. headquarters on Madi-son Avenue, with its "Chippendale" broken-pediment top and its

# Sovilla Is Promising In 'Manon' in Venice

By William Weaver

onal Herald Tribune VENICE — The new management of the Teatro La Fenice in charge of the theater for about a year now - has been following a bold policy of featuring young singers, and the star of the "Manon" that has opened the current season, though only 25 and hardly more than a debutante, looks to be headed for an interna-

Her name is Floriana Sovilla; she is pert, blonde, graceful, has a strong, flexible, appealing voice and she even enunciates French plausibly. Needless to say, she still has some way to go before she will be an ideal Massenet heroine. She was more convincing in the lyric parts (Act 2, especially) than in her brilliant music of the Cours-la-Reine scene, and her opening aria was less effective than it should have been. But these things will surely come in time, and it will be interesting to see - and hear -

To present inexperienced artists in a long opera in a foreign language is dangerous, and if the wager paid off with Sovilla, it was less successful in the case of the tenor, Pietro Ballo, a 29-year-old Sicilian. Italian tenors can shine in Massenet - as Schipa, Valetti, and others have amply demon-strated — but Ballo was clearly at sea. Basically, the voice is good material, sweet when not forced and with a nice ring at the top. But be too often crooned or yelled and his stiff stage personality did not help him over the rough spots.

The staging of Jean Reynald Prêtre (born 1954, son of the con-ductor) was no help, either. Making his debut in opera, young Pretre moved the chorus skillfully, but did little with the principals. Poussette and her girlfriends were particularly ill at ease, though, in compensation, they sang charmingly and deserve mention: Gladys Mayo, Monique Baudouin, Rosanna Didone. As Lescaut, the veteran Angelo Romero - he is all of 41 brought a welcome assurance and a commanding musicality to the performance. Among the smaller roles, the senior Des Grieux was nobly interpreted by Michel Hubert, whose native French shone like a good deed.

The Fenice's resident designer. Lauro Grisman, designed sensible sets and costumes, a relief from the megalomaniac taste that has taken over most Italian opera houses. The inn actually looked like an inn, and Saint-Sulpice was recognizable as a place of worship. Whether by his decision or the director's, all the sets - inc the action of the opera - were seen behind an unusually heavy scrim (rather like watching it on a too-dim television set) and the lighting was uniformly gloomy. The singers' faces were in shadow much of the time.

But, all quibbles aside, this was a thoroughly enjoyable perform-ance, also because Georges Prétre clearly inspired the Fenice orchestra to outdo itself. Except for the lighting, the whole performance was distinguished by its clarity.

bodies the shifting attitudes of say notorious — example. When the design for this building was announced in 1978, it caused an outcry from both architects and the general public; the architects were accused of everything from trying to turn back history to knowing nothing about what skyscrapers were supposed to look

If AT&T is the most extreme example of the new generation of buildings in Manhattan, it is by no means alone in its departure from the conventions of recent years. Pelli's tower for the Museum of Modern Art has a "setback" top reminiscent of the crown of that great monument of the 1930s, the former McGraw-Hill Building, and though it is to be sheathed in glass, it will be a pattero of colored glass that is clearly and frankly decorative

Franzen's Philip Morris head-quarters will be of stone, with faint allusions to classical architecture. Trump Tower, by Der Scutt and Swanke, Hayden & Connell & Partners, will be of glass with lots of tiny setbacks and zigzags all the

way up its 58 stories. And on and on, not only in New York. For the Republic Bank in Houston, Johnson and Burgee have created a tour de force as startling in its way, as AT&T. The Republic Bank Center will be a 56-story tower of remarkable profile, with myriad setbacks that allude loosely to Renaissance architec-ture; there will be a banking hall at the base that calls to mind such diverse sources as the 19th-century architect Henry Hobson Richard-son and the 18th-century visionary Claude Nicholas Ledoux.

For Chicago, Helmut Jahn, of Murphy/Jahn, has created an addition to the Board of Trade building that echoes the original building's Art Deco setbacks. Mur-phy/Jahn also did the rounded Xerox Center there. And in Minneapolis, Miami, Houston and Boston, Skidmore, Owings & Mer-rill has constructed granite skys-crapers with setbacks and projecting nips and tucks which, while not borrowing from history as con-spicuously as these other buildings do, underscore with their eccentric shapes how different even the most cautious skyscraper design has now become



Der Scutt's Trump Tower: Nips and tucks in Manhattan skyline.

# Vienna Gets a Song of Broadway Rw Thomas Ouinn Circuss ported plays and operetties it todays in large since

By Thomas Quinn Curtiss

TIENNA - The Broadway musical - with the possible exception of Eugene O'Neill's dramas
-is the American theater's most appreciated gift to

the international stage. Abroad it is rapturously admired and a constant model. It tends to acquire an alien accent in foreign reproduction, but this matters bitle, "Rose Marie," "Oklahoma!," "My Fair Lady" and "Hair" have duplicated their bome-ground success everywhere from Stockholm to Buenos Aires.

Vienna's English Theater, on holiday from the straight play, is taking a fling at song and dance with a miniature tribute to the American musical. Entitled "Song of Broadway," it goes from the origins in the ministrel show through the era of George M. Cohan's flag-waving effusions to the Gershwin-Cole Porter age and on to "A Chorus Line." The history of the Great White Way, with blown-up photographs of the destribute haulet and at under the photographs of the dazzline boulevard at various periods as a backdrop, is reflected as though in a pocket mirror.

A sextet of American youngsters performs it with appealing zest. Margaret V. Cowie, Frank Kubik and Ted Spencer, all of whom participated in the production of Leonard Bernstein's "Mass" at the Vicuna State Opera earlier this year, reveal their vocal talents in selections from "Evita," "Cameiot," "Show Boar" and "My Fair Lady," while the graceful, towering Neva Rae Powers revives "Begin the Beginne" with a flute solo and gliding dance; Jack Kirk impersonates "Yankee Doodle Dandy" with full force, and Valda Aviks displays herself as a droll comedieme. Herwig Gratzer, an accomplished musician, is at the key-board and William Milié, who has mounted many an American musical in Europe and choreographed "Mass" here, has directed and choreographed with

Marcel Prawy, a popular Austrian television star who, having collaborated on New York productions, has introduced the latter-day American musical to German-language audiences, is master of the revels. On alternate evenings, when he is on the airwaves, Ruth Brinkmann, the American actrees, recites his script, in which he tosses off anecdotes about U.S. theater folk. Thus, we learn that George M. Cohan was so inordinately pleased with himself that it was rumored that when he strolled in lovers' lane he held his own hand. Nor has Prawy recovered from the shock he suffered when the curtain rose on "Blossom snock he suffered when the curtain rose on "Brossom Time" to disclose an actor portraying Franz Schubert at the piano singing the "Unfinished" Symphony. It is Prawy who arranged this collage of hit songs and Broadway technique and his affection for all things American has carried him to the point of putting in "God Bless America," which on foreign soil is

The company's little 18th-century hall does not have the performing space for Ziegfeld-sized grandeur, but its current occupant with its compact salute

to musical Americana fits the frame attractively.

Vienna has long been the theatrical capital of central Europe. It still is in that it maintains lofty standards of acting and production, but where it once ex-

"The Man of La Mancha" holds the bo Theater an der Wien, where in the first decade of this century Lebar's "Merry Widow" and Oscal Strans "Waltz Dream" were first heard. Two Cates celles Vaclay Havel and Pavel Kobout, and Tennance Williams and Tom Stoppard are dramatists with plays at the Akademietheater. Pinter's "No Man's Land" is at the Kammerspiele; "Who's Afraid of Virginia Woolf?" is at the Ateliertheater am Naschmarkt; Agatha Christie's "Ten Little Indians" a at the Kleine Koniödie; "Yvonne, Princess of Burginidy" of Gombrowicz is at the Theater im Runstlerhaus; a Peter Ustinov play is at the Josefstadt, and My Fair Lady is in the repertory of the Volksoper:

Peter Schaffer's "Amadeus," in which the British playwright presents Mozart's conflict with his bitter rival, Antonio Salieri, is at the Burgtheater side by side with Shakespeare, Ibsen and Gorky, and enjoy-ing enormous success. The subject has been treated by Pushkin in a short play. In Shaffer's version Mozert is drawn as a foul-mouthed buffood (the idea inspired by some scatological letters he wrote) and there was speculation that the portrait would be resented in Vienna. On the contrary, it is one of the hits of the season.

### Viennese Cabaret

More authentically Vicanese is the sliow of the chansonnier pair, Kurt Sobotka and Lore Krainer at the Fledermaus cabaret. "Kaburequieus." is which the witty couple mock the pressing problems of the day, have their sharp say on politics and politicians, national and international, and burlesque generate folk song, protective self-assurance and the chiches of

The Fledermaus cabaret, a cozy, below-guing estab The Fledermaus cabaret, a cory, below-glass establishment in Spiegelgasse, with bur service at its candlelit tables before curtain time, has a circless story. It was founded by Egon Friedell, one of the Vienna's eccentric celebrities, a figure of the Victorian Baroque transplanted into the 20th century. A noted historian of world culture, he doubled as an actor in Max Reinhardt's productions and when soplanded would remark: "That's for my books."

When asked about his double life as philosopher and clown, he replied: "The philosopher begins where man stops taking himself and his life serious."

Friedell, a big, corpulent man with a commanding voice and gestures, bore a striking resemblance to Goethe. In a skit he introduced at the Fledermans cabaret be took the role of Goethe who, freling pity for a poor student of modern times what is about to be examined on the subject of Goethe, substitutes for him and wretchedly flunks questions about his own biography as it has been set down in school books.

In March, 1938, when the Nazis matched into Vienna, Friedell committed suicide by infiguring out of the window of his flat. He has left a literary reputation by his writing and the cabacet that he founded continues to flourish in the manner of topical satire that he recommended.

# U.S. Scientists Are Facing a Dilemma on Whether to Make Predictions of Earthquakes events similar to those recently ob-

By Robert Lindsey

New York Times Service LOS ANGELES - A recurring fear is haunting some of the scientists who monitor movements of the Earth's crust in California: Someday, they say, they will see a set of measurements and their experience will tell them a major earthquake may be imminent. But they will not sound a warning that could save thousands of lives, they

The reason for their silence in this imagined outcome, the researchers say, is that they will not have enough confidence in the evidence before them to predict an earthquake to a nation where a ong prediction could bring th professional scorn, public ridicule and possibly hundreds of lawsuits.
"It's a serious dilcoma," said C.
Barry Raleigh, director of Columbia University's Lamont-Doherty
Geological Observatory and until
last summer the coordinator of a California-based group on earth-quake prediction for the U.S. Geo-

logical Survey.

For a number of years, he said. "we will be in the awkward in-between stage where we have gathered the right information but we

Disaster planning officials have said that advance warning of a great earthquake in Los Angeles could probably save tens of thou-

At the same time, they concede, the issuing of a false alarm about a serious earthquake could not only undermine confidence in public officials but also have a variety of economic repercussions, such as depressing real estate values or causing loss of income by unneces-sarily forcing the closing of manufacturing plants. Not only are researchers con-

possible litigation for an erroneous ranged from an upsurge in the rate prediction, Mr. Raleigh said, but of small and moderate earthquakes some are also apprehensive about since 1978 to the cruption of

will not have had sufficient expericoce to make a very clear statement about what it means.

\*possible recriminations if a big
earthquake occurs and, with hindsight, an investigation determines

Mount St. Helens in Washington
and puzzling emissions of a radioactive gas, radon, near here along the existence of warning signals

that were not heeded. Virtually every seismologist and geologist who has evaluated the system of faults in California agrees that a potentially devastating earthquake comparable to the one in 1906 that leveled much of San Francisco will probably occur in the state in the next 30 years.

There have been tantalizing clues in the last three years or so, they say, that something minimal was occurring deep in the Earth's crust and possibly indicating that accumulated energy in the fault system is about to be released in a Strong Typhoon cerned about their reputation and great earthquake. The clues have

the San Andreas Fault.

Radon is a decay product of radium, and radium deep in the Earth releases radon all the time. Radon decays into other elements so fast that half of it is gone after less than four days. Thus, if measured levels of radon rise at an unusual rate, scientists say, they know that deep in the Earth some sort of motion is taking place.

The chies have been perplexing, the scientists emphasize, While

# Philippines Is Bracing

United Press International
MANILA — A typhoon, designated Irma, the strongest storm in the Philippines since 1970, hit the coconut-producing region Monday with peak winds of 130 miles per hour (208 kilometers per hour).

Meteorologists feared that a warm front would increase the

typhoon's strength. The typhoon, cast-southeast of Manila, was moving toward the central Philippines and was expected to cross the area Tuesday.

served have preceded major earthquakes in the past, such phenome-na have also occurred when a major earthquake did not follow.

Some researchers in the field, however, contend that better means must be devised to evaluate predictions if scientists are expected to take the risk and make potentially life-saving predictions of an carthquake.

In May, 1976, Mr. Whitcomb, then a researcher at the California Institute of Technology, told col-leagues that changes he had measured in the speed at which sound waves traveled through the Earth's crust made him believe that a large earthquake would hit southern California in the next year. His comments were reported by the mass media

A year later, after the predicted quake did not occur, Mr. Whitcomb withdrew the predic-tion. But he encountered heavy criticism from real estate agents and some city officials who threat-ened to sue him.

Mr. Whitcomb is now critical of the way the press, the prediction council and political leaders re-sponded to the prediction. He also

said that colleagues had told him

the prediction would inhibit them from taking similar tisks, an inhi-bition, he said, that could result in lost lives.

Instead of this televised witch trial atmosphere," he said, scien-tists should be allowed to submit their data to scientific peer groups.

# Okinawa City Acts To Oust U.S. Base

TOKYO — The city of Naha, capital of Okinawa, filed suit on Monday, seeking the immediate return of land being used as a U.S. military base.

The suit was filed by Naha May-or Ryosho Taira against the Japanese government of Premier Zenko Suzuki. Nine years after the Unit-ed States returned Okinawa to Ia-pan, about 30,000 U.S. Marines, airmen, sailors and soldiers are still stationed on the island.

After two days of heated debate in the City Council, Mr. Taira took the legal step seeking to void moves made by Mr. Suzuki on Aug. 24 designed to allow the base to remain after the current agreement expires next May.

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the world's great possessions. A triumphant step forward in

Selko's endless quest for perfection.

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# China Claims French Envoy Financed Dissident Groups

PEKING — China's domestic news agency has reported that a French diplomat who was living illegally with a Chinese woman was supporting and financing illegal dissident groups.

The China news service bulletin also said that his girlfriend, an artist, "for a long time engaged in im-proper and hooligam activities which harmed the moral outlook and had an adverse social influ-

The bulletin, issued Nov. 14 and seen here Monday, was the strong-est attack yet on Emmanuel Bellefroid, 33, a former diplomat in Peking who was known to have close ties with dissidents. It also was the strongest attack on his girlfriend, who was arrested Sept. 9 and sentenced to a two-year term of re-education through labor.

Mr. Bellefroid, now in Paris, has said that Li Shuang. 24, was his fiance and that they had been given permission to marry.

The agency report said that dur-

ing his stay in Peking Mr. Bel-lerroid "supported and financed Chinese illegal organizations and there is incontrovertible evidence

Miss Li lived with Mr. Bellefroid at his apartment for two months. On Sept. 9 she went to the compound gate and was shoved across the threshold and taken away by plainclothesmen.

The arrest and labor term for the young woman created an up-roar in the French media, and Michel Jobert, the French minister of foreign trade, protested China's handling of the case. He said it

# Weapons Stolen At French Base

The Associated Press FOIX, France - Ten armed and masked men overpowered two sentries and raided an army reserve supply center, stealing four heavy machine guns, more than 100 submachine guns, rifles and ammuni-

tion, police sources said. An army statement acknowledsing the raid said all the wespons stolen Sunday were inoperative because their firing mechanisms had

been removed.

Defense Minister Charles Hernu expressed his surprise at the "ex-treme competence" of the commando raid. He ordered an investicould impair Chinese-French rela-

The Chinese were infuriated at what they called French interference in China's internal affairs.

Mr. Bellefroid met Miss Li at an avant garde art exhibition in Sep-tember of last year. Mr. Bellefroid was married at the time, and his wife was working in Peking for the French news agency, Agence France-Presse, the news service

Last May, Mr. Bellefroid applied to marry Li Shuang and produced a divorce certificate, the Chinese report said. Anthomies then carried out an investigation "in view of the period in which Li Shuang's hooligan activities dis-rupted the social peace and stability and caused the masses to be in-dignant." Therefore, it said, their marriage was not approved at that

"Bellefroid overlooked the law of the country in which he resided and worked and hid Li Shuang in

his apartment," it said. The report concluded by saying it was strange that the French press would "disregard the feelings of one billion Chinese people and lister than the feelings of the feelings o listen to the ranting and ravings of Bellefroid and be sympathetic to a jobless female hooligan."

"Are these acts conducive to Chinese-French friendship?" the report asked.

### 15 Thai Soldiers Killed By Communists Rebels

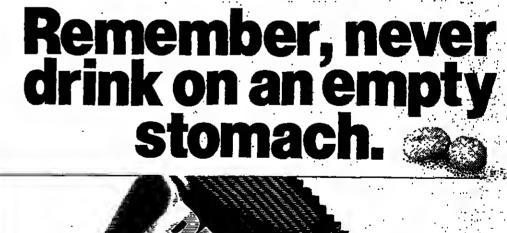
BANGKOK — The Thai Army command said on Monday that Communist rebels killed 15 soldiers and injured 45 others in attacks on four military bases in the southern That province of Surat Thani on Sunday. It also reported

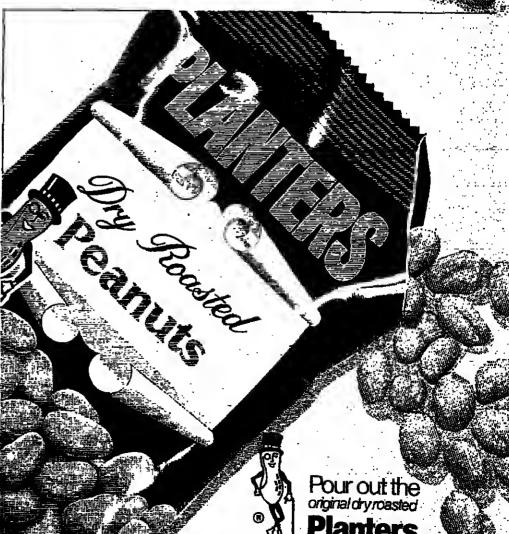
one guerrilla casualty.

Thai officials claimed recently to have defeated Communist insurgents in Surat Thani where troops backed by local militia scoured jungle areas for an estimated 1,200

# Tanker Losing Oil in Baltic

The Associated Frest
STOCKHOLM — The 20,000ton tanker Globeasimi, grounded off the Lithuanian Baltic port Klaipeda, is leaking oil, the Swed-ish Coast Guard said Monday. The tanker, registered in Gibraltar, went aground Saturday in bad





30

# A Gawky Adolescent Begins to Settle Down

By Carl Gewirtz

PARIS — Once the enfant terrible of international capitalism, the Euromarket appears to be passing out of its tumnituous, if not late, adolescence into a more

sober period of restrained growth. The market of expatriate dol-lars. Deutsche marks, Swiss francs, sterling, guilders, French francs, yen, Belgian francs as well as various other smaller currencies and composite units such as the Unit of Account, European Currency Unit and Special Drawing Rights now is valued to total the emiva-lent of \$1.35 trillion — a 3.353 per-cent increase from the \$39 billion recorded in 1965, the earliest mea-

Year after year from its incep-tion in 1957, the Euromarket has expanded at a phenomenal rate an average of 26 percent a year. Now, for the first time, the rate of growth has slowed markedly - a mere 11% percent in the year to

sure of the market's size.

### Dollar's Recovery

Central bankers as well as commercial bankers express a collec-tive sigh of relief at the news, believing that no market can keep expanding at such a fast clip without tripping on its own inherent instability. But the slowdown, welcome as it is, creates new worries: Will commercial banks be willing to go on lending as they have to finance the current-account deficits and rapid industrial growth of the major developing countries who have come to rely on the banks to finance almost two-thirds of their annual cash shortfall?

The actual size of the Euromarket's slowdown is hard to pin down due to the distortions emanating from the dollar's very strong recovery in the foreign exchange market (up 35 percent against the mark in the year to June, 40 percent against the French franc, 26 percent against the Swiss franc). This has meant a sharp reduction in the value of the oon-dollar assets when expressed

1 1/2 1:430

in terms of U.S. dollars.
In addition, interbank activity the buying and selling of deposits among banks, which normally accounts for some 40 percent of the overall market - tends to surge when the dollar is weak and speculation in the foreign ex-change market is high, and tends to slow when the dollar is strong.

Allowing for these distortions, international monetary experts estimate that the market may have expanded as much as 18 percent in the past year. Even accepting that figure, it is clear that the rate of growth is slowing.

A major contributing factor to

this slowdown is the sharp decline in the estimated size of the OPEC surplus this year and the concomi-tant drop in the amount of money the oil exporting states deposit in

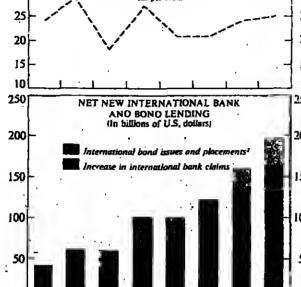
# Estimates Revised

As late as midyear, officials at the Organization for Economic Cooperation and Development were forecasting an OPEC current-account surplus (the cash left after paying for imports and services and deducting private and official transfers) of \$109 billion for 1981. In the past, as much as 58 percent of OPEC's cash surpluses has been denosited in the Euromarket. deposited in the Euromarket.

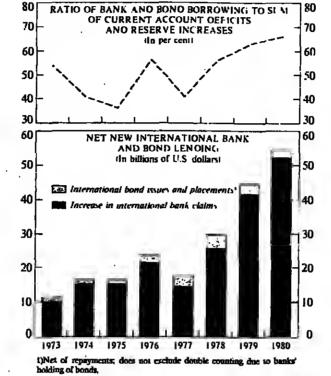
But officials currently are busy revising their estimates and now believe that the OPEC surplus for this year will total only \$57 billion. (Continued on Page 11S)

# International Capital Markets, 1973-80 GROWTH RATE OF NET INTERNATIONAL BANK CLAIMS

Net Lending Through



Non-Oil Developing Countries: Financing Through International Capital Markets, 1973-80



idded a further boost. It amended

its approach to monetary control

in a number of ways. In particular,

a greater emphasis was placed on open-market operations in the bill

market at the expense of loans to

the discount market. To ensure

(Continued on Page 12S)

# New Life Stirs in an Old Financing Tradition

By Michael Comninos

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ONDON - The last three months have witnessed a burst of activity by overseas borrowers in the traditional sterling acceptance credit market in London. In fact, well over £1 billion of acceptance credit facilities have been granted to foreign corpora-tions since the beginning of Aug-ust. For example, at the end of that month the largest single sterling acceptance credit so far was syndicated for Petroleos Mexi-canos, £365 million being placed by Baring Brothers & Co., N.M. Rothschild & Sons and Samuel

While there are specific reasons for this recent spate of activity, it is important to look at the mar ket's development in a historical

Travel Time

The lengthy period taken for goods to travel from one country to another meant that exporters were obliged to grant importers trade credit to cover the time taken for the goods to reach their destination. Accordingly, it became customary for the exporter to receive a bill of exchange accepted by the importer — i.e., a market-

by the importer — i.e., a marketable piece of paper representing an unconditional obligation by the importer to pay the amount of the bill on its maturity date.

The rapid expansion of foreign trade during the 19th century meant that exporters did not always have a detailed knowledge of the have a forested transport. the buyer's financial stature. They therefore required the bills to be accepted by a banker on behalf of the buyer as a guarantee of pay-

As most foreign trade at that time was priced in sterling, Lon-don banks, and merchant banks in particular, often assumed this role, whether or not the goods were des-

Consequently, the London bankers' acceptance not only oiled the wheels of international trade, but also provided the exporter with the means of realizing sums owing to him by his customers, and provided the banking system with liquid assets of undoubted

From the beginning of this century an increasing proportion of overseas trade was assumed by corporations of undoubted stand-

The sterling accentance market

has a long and checkered history. Now it is passing through one of its most interesting

phases of development.

ing and accordingly the need for banks to support importers waned. There remained, however, the need for exporters to finance the movement of their goods. In addition, it became increasingly cumbersome to draw individual bills for each shipment. Accordingly, merchant banks in London started to offer their clients general lines of credit under which banks agreed to ac-cept bills drawn on them by their clients for a commission. After ac-ceptance the bills were sold in the

money market to provide the client with the funds he required. Although not linked to individual shipments, it remains a firm rule (subject to one exception mentioned below) that general acceptance credit lines can only be utiadvanced, and a handful of medilized to finance trade debtors and um-size syndications had been ar-ranged, when the Bank of England inventories: Bills must mature

Until the start of World War II,

within six months.

the sterling acceptance represented an important source of finance for third-country trade, but after 1939 this usage atrophied under the pressure of progressively restricted exchange controls and for the oext 40 years business was increasingly oriented toward the domestic market. After the war, however, the volume of acceptances rose steadily, partially because of the fact that it became permissible to grant acceptance credits to finance companies offering consumer credit. In addition, unlike loans, acceptance credits were not constrained by the successive schemes imposed on banks by the Bank of England to cootain the growth of credit. The last such scheme saw an increase in sterling acceptances from £3.039 billion in August, 1978, to over £6 billion in March, 1981.

The abolition of British exchange controls in 1979 once more made it easier for foreign borrowers to tap the sterling accept-ance market, though initially at least, there was little visible increase in activity from overseas. This was probably because the Bank of England's tight monetary policy maintained sterling interest rates at high levels and the strength of the exchange rate made sterling unattractive to foreign

By May, 1981, the picture was very different. In that month threemonth sterling deposit rates fell to 12 percent, while three-month Eurodollar rates soared to 20 percent. Yields on dollar bonds rose inexorably. Suddenly corporate treasurers saw in sterling an alternative source of funding meriting imme-diate attention and focused their attention on acceptances as well as

PARIS, NOVEMBER, 1981

A SPECIAL SUPPLEMENT

# Comecon: Breathing Room

By Alan Tillier DARIS — The Polish debt cliffhanger, the worries about Romania, Soviet self-sufficiency. the credit rating of other East European countries all have com-bined to whiten the hair of the small and hardy band of Western bankers who deal with the Com-

munist bloc. The least one can say is that 1981 has been a quiet year in this segment of the market. In 1980, the Comecon countries raised a to-tal of \$2.6 billion in medium-term Eurocurrency credits. During the first eight months in 1981. Comecon borrowings on the Euromarket totaled \$1.2 billion with the Russians ootable absentees.
The 21-bank "task force" repre-

senting 460 banks involved with Poland agreed in Vienna recently on the rescheduling of \$2.4 billion of Polish commercial debt that falls due during the last uine months of this year. There will be rescheduling, too, of 1982 and 1983 debt totaling \$4 billion, and the Poles have benefited from a grace period, which means they will not actually start repaying until 1986. But with Polish debt hovering at the \$25-billion mark and total Soviet bloc debt above \$73 billion there is reluctance among Western bankers to become more deeply involved.

The Austrian Institute for Economic Research said that actual indebtedness of the Communist countries was higher than \$73 billion to \$75 billion (net sum totals had been arrived at after substracting Eastern deposits in Western banks). The institute gave the fol-lowing breakdown of bank debts: Bulgaria, \$1.8 billion; Czechoslo-vakia, \$2.7 billion; East Germany, \$8 billion; Hungary, \$6.2 billion; Poland, \$14.7 billion; Romania, \$5.4 billion, Soviet Union plus the Moscow-based Comecon banks, \$8.7 billion. The other part of the total represented \$26 billion worth of government and commercial

Polish and Western banks met again in London in late October to sort out details, and one banker described the weeklong talks as just another step in a major opera-tion. Polish terms have risen to a very high 1.75 percent over the London interbank rate (LIBOR), whereas the rate for East Euroneans now stands at seven eighths to 1 percent.

sluggish this year — a \$150-million Arab deal with Hungary, Citicorp with a \$400-million deal with the same country, 8NP and Nippon Credit with \$100 million for the East Germans.

Whereas Hungary's manage-ment of its debt is admired, Romania has been getting some bad marks. Romania has a tempo rary "payments incapacity." ac-cording to a Bucharest official, and this has affected an \$80-million credit for Romania Foreign Trade Bank. The money is intended to finance nuclear power equipment and involves Manufacturers Hanover, Bank of America, Bankers Trust and Bank of Tokyo at seven eighths percent over seven

But Romania is experiencing foreign exchange cash flow prob-lems. One London banker insaid: "Romania has a chronic shortage of foreign ex-change and the loan is still sitting had been loaning money to the East European states, but that these deals had been related to bilateral trade arrangements involving oil. The Romanian loan with Western banks will have to wait until the situation is clarified, in the words of one U.S. banker deal-

ing with that country. There is little in the pipeline. The Yugoslav National Bank is looking for \$400 million to partly cover \$4.3 billion foreign borrowing needs while the Comecon IIB bank is testing the market for \$100 million. Basically, there has been no major deal since June. East and West, everyone is waiting. The West wants more information about the state of Eastern economies. The East is conscious about

Alan Tillier, a free-lance journalist based in France, is a frequent contributor to IHT special supple-

# East-West Borrowing, 1980-81

(in millions of dollars)

			JanAug.
		1980	1981
st Germany		303	400
ingary		550	550
land		800	
ther	-	900	250

Comecon Position With Western Banks\*

End March, 1981 (in millions of dollars)

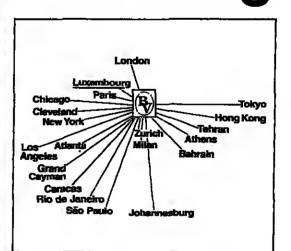
	Liabilities	Deposits	Net position
Bulgaria	2,491	805	- 1,686
Czechoslovakia	3,477	910	- 2,567
ast Germany	9,625	1,942	-7,683
lungary	6,841	834	- 6,007
Poland	14,701	565	- 14,136
Romania	5,396	147	5,249
ioviet Union Iesidual	13,911	5,519	- 8,392
unallocated)	2,397	670	- 1 <i>,727</i>
OTAL	58,839	11,392	- 47,447
'ugoslavia	9,789	2,457	- 7,332

\* Banks In the Group of Ten countries, Sweden, Austria, Denmark, Ireland,

(Another Comecon ruble appears on Page 16S)

# BVI - 10 years of activities in international financing





# 1971 – 1981 Ten years in Luxembourg

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What Future for Formal Credit Ratings?

By Mahesh K. Kotecha

NEW YORK — Formal credit ratings are unique to U.S. capital and money markets. Will they become a market convention for Eurobonds and foreign bonds in Europe and Japan?

This question is being asked more often by borrowers, investors and investment bankers in Europe and Japan.

For more than 50 years, ratings have provided U.S. investors with standardized, simple measures of credit risk, assessing the probability of timely repayment of pricipal and interest. They allow investors to spend more time on other aspects of investment decisions. This permits impersonal intermediation between increasing numbers of borrowers and investors.

rowers and investors. Ratings play a major role in the U.S. credit market. Many investors will not buy unrated securities. Others buy only those rated "A" or better; lower-rated securities provide higher returns but entail greater risks. Since January, 1980, for example, "AA" rated utilities and industrials paid a premium of 39 basis points on average over their "AAA" rated counterparts. A good rating can generate a broader market and a lower cost for the borrower.

Complex Structure

Ratings can be especially useful for an issuer lacking in instant market recognition. For example, I/S ELSAM, the Danish electricity consortium, recently became the first rated domestic Swiss-franc bor-

consortium, recently became the first rated domestic Swiss-trane borrower. ELSAM normally would be a tough name to sell, due to its complex ownership structure, which is difficult to fathom. But with its "AAA" rating from Standard & Poor's, ELSAM found it possible to double the size of its borrowing to 60 million Swiss francs.

The rising importance of ratings in the United States is a response to demands of the credit markets. Standard & Poor's bond ratings were developed in the 1920s to help the firm in its discretionary management of a substantial sum of funds, an activity from which it subsequently withdraw. As word spread about the system, a subscripsubsequently withdrew. As word spread about the system, a subscription service developed. The firm now charges the issuer for a rating. Commercial paper ratings were a direct result of the U.S. market's concern about deteriorating credit quality at the time of the Penn

Central crisis in 1969-1970. The formal credit rating system is largely a U.S. phenomenon. Its international role has been confined mainly to rating the debt of non-U.S. borrowers in the U.S. markets.

w mue the volume of Yankee bond financing is flat at \$4 billion to \$6 billion, given high U.S. interest rates, the volume in the Eurobond market has multiplied more than sixfold since the mid-1970s to \$24 billion in 1980, galloping past the \$14.5-billion equivalent raised in foreign bonds outside the United States. So the greater international challenge for formal credit ratings lies in the unregulated Eurobond market, where the role of ratings has been minimal.

About 30 Eurobond issues are rated by Standard & Poor's, all at the request of the issues including foreign fungating affiliates of

the request of the issuers, including foreign financing affihates of U.S. companies. This compares with about 200 non-U.S. issuers with rated Yankee bond obligations and more than 2,500 corporate rated issuers in the United States.

It is no surprise, therefore, that a recently issued guide on Euro-bond markets states that ratings "have little or no impact on the marketing and final pricing of a Eurobond issue because investors in one country will have different criteria for assessing credit risk" from those in other countries.

But a Euromoney publication states that "certain Eurobond is-suers have found ratings helpful in selling their credit. There is some evidence that borrowers which obtained high-grade ratings have consequently realized savings in subsequent Enro-issues that more than

compensated for the cost of the ratings."

These two quotes are highly revealing. The first is probably wrong about the impact of ratings and is certainly wrong about the reason. There is no reason that the criteria for determining the probability of timely repayment used by European investors should differ signifi-cantly from those used by U.S. investors.

If Eurobond investors in different countries appear to have different investment criteria, it is because they face different foreign exchange risks and possibly different sovereign risks. We know that institutional investors in the Middle East, Switzerland, West Germa-

ny, France and Japan pay attention to formal credit ratings.

The second quote is more accurate, and cleverly worded. It implies that ratings are obtained for U.S. issues, but used in "subsequent Euro-issues" by borrowers who obtain "high-grade ratings." This is the informal practice, and the problem.

The vast majority of the larger borrowers in the non-U.S. markets (Continued on Page 8S)

# Despite Slump, U.S. Corporate Bond Issues Can Resist Crowding Out

and Geoffrey Wood

ONDON — During the 1960s, British companies raised ap-proximately one-lifth of their exlemal finance by the issue of corporate bonds. Since the early 1970s, however, British companies have not issued bonds on a substantial scale; indeed, redemptions exceeded new issues at the end of that decade.

Over the past year or so, corpo-rate bond issues have fallen off in the United States, and what has been issued has been concentrated into periods of a few weeks, followed by months of inactivity. In

both countries the cause is "crowding out," i.e., the private sector being unable to compete with the government. Does this imply that the U.S. corporate bond market is doomed to follow the path of the British corporate bond market?

portant differences in the circumstances of the two markets: The greater unwillingness of British company treasurers to pay high nominal rates, whatever these may turn out to be in real terms.

It does not. There are two im-

after allowing for inflation. The greater influence on long-term bond yields in Britain of the move toward control of the money supply. This arises from the pecu-

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monetary control in Britain.

A basic reason must be the way British economic policy has been cial stress, and resuming them conducted — a policy of "stop- when conditions eased — for they conducted — a policy of "stop-go." From 1945 until the present government came to office in 1979, the response of British governments to rising unemployment and companies in financial difficulties was so predictable as to appear almost automatic: They eased both fiscal and monetary policy. Corporate treasurers knew they would be bailed out by a combination of increased government spending, per-haps tax cuts, greater expansion of money supply and, from time to time, a devaluation of sterling.

Hence, the treasurers got into the habit of reducing their long-term bond offerings at times of financould count on the easing coming fairly soon.

Then, over the last 10 years or so, with Britain experiencing high-er levels of inflation even during periods of recession, inflationary expectations increasingly deterio-rated and lenders began to insist on greater inflation premiums. This meant that bond market vields, in nominal terms, stayed above what they had been during previous periods of recession, and companies were further encouraged to borrow short rather than commit themselves to "high" nominal yields for the next 20 years.

The British tax system places problems in the way of the corporate bond market. In particular, capital gains on government bonds held for less than one year are free of all tax; this does not apply to corporate bonds. Further, a tax, known as stamp duty, was payable at a rate of 2 percent on all transactions in corporate bonds, but was not levied on government bonds. The rate has been reduced

bonds are still exempt. Additionally, in contrast to the United States, British corporate bonds have not incorporated call options. The U.S. corporate treasurer took less of a view on future rates over the following 20 years if he had the fa-cility to call his bond. The British treasurer was taking a much great-er risk of being saddled with high

Important differences in market seen heading off what happened in Britain.

real rates if inflation fell. Finally. the British overdraft system made permanent short-term borrowing available to British corporations. Such facilities were not offered in the United States.

The effect of these factors was greatly aggravated by the mechanism of monetary control in Britain. In contrast to the United States, the reserve base in Britain was not confined to the monetary base — loosely defined as cash and banks' deposits with the central bank — but included a much wider range of assets. In particular, Treasury bills, short government bonds and money at call at the discount market were also reserve assets. This meant, as is still the case to a large extent, that any attempt to control the money supply, over a short period of time, could only be implemented by sales of large quantities of medium and longdated government bonds.

Since about 1975, when the foreign exchange market in particular became concerned about excess monetary expansion, the British government has often had to resort to heavy sales of medium- and long-dated bonds to bring about a sharp slowdown in money growth. When the Labor government moved to achieve stated monetary targets — a move followed by the present Conservative government (but less successfully) — this particular pressure on long-term yields became constant.

The U.S. bond market clearly has not been free of problems over the past few years. It, too, has been under pressure from increasing deficits and worsening inflation expectations. These difficulties may appear more permanent than temporary at present, and obvious-

# **EUROMARKETS**

ly have done some damage to the corporate bond market, but there is no reason why the damage should be permanen

In support of this contention one can cite the prompt and sub-stantial issuing of U.S. corporate bonds that occurs whenever there is either an easing of rates or a pause in government financing. Hence, though one cannot minimize the problems that the present situation entails for corporate balance sheets and the economy, the present condition of the U.S. corporate bond market must be viewed at the moment as a temporary deterioration, with a return to the better condition of former times still possible. Past conditions could return if government economic policies succeed in curbing deficits and inflation.

One qualification should be made to this. The development in the United States of credit lines that allow firms access to funds. regardless of market conditions, may encourage U.S. firms to fol-low British practice. But this is probably a minor influence particularly in view of the callability of

most U.S. corporate bonds.

If U.S. deficits remain at their present size, and are monetized in flation will remain a make prob-lem and the U.S. corporate bond market will remain stagmant Bur the same will be true for government bonds. If inflation remains high and erratic, bonds the world over, be they corporate or govern-ment, will be short of takers

Even a modest measure of success in reducing inflation will revive the U.S. corporate bond massket. In contrast, the British corporate bond market must await a far greater decline in yields and clear. er evidence that techniques of monetary control will in the future bear less heavily on the bond man-ket, together with the removal of such inhibiting factors as the spocial tax treatment of govern stock and lack of callability.

Bill Foy and Geoffrey Wood are in

# What Wider Future Is There for Formal Credit Ratings?

have issued rated debt in the United States. Underwriters often advertise such a Yankee bond rating in the invitation telexes for a prospective unrated Eurobond issue if the rating is good. The unstated implication is that the prospective Eurobond would carry the same rating; but this will not necessarily be the case.

A subordinated offering by the same issuer would be rated lower. In addition, the rating could change as a result of the new debt issuances. It is unlikely that the underwriters would similarly disclose the U.S. rating of a prospec-tive Eurobond issuer if the rating were not good. In fact, it is com-mon knowledge among the participants that certain names can get better market reception in Europe than indicated by their U.S. rat-

### Potential Hazard

The absence of a formal rating system for Eurobonds and for the foreign bond markets outside the United States poses a potential hazard to investors in those markets. This is simply that ratings will be used mainly when they serve the interests of the borrower, in contrast to their use in the United States, where they serve princi-pally the interests of the investor. Based on the U.S. experience, it is unlikely a formal rating system will be firmly established in international markets without a clear market signal, such as Penn Cen-tral. Consequently, Standard & Poor's has chosen not to impose itself on the non-U.S. markets. It continues to rate issues in those markets only on request.

European market participants often ask how we can rate sovereign borrowers using the same rating categories as those used for corporate and numicipal bor-rowers. They are even puzzled that the 13 sovereigns rated as bor-rowers or guarantors for U.S. obligations are, and have always been, rated "AAA" by Standard & Poor's. Our approach contrasts sharply with the increasingly popular country risk horse races run by reputable international magazines in which, to much applause at six-month intervals, one country edges another out for the top spot. Therefore, some conclude that we must rate sovereign government debt "AAA" simply as a matter of policy. This is definitely not the

Standard & Poor's rates as isstandard of Poor's rates as issuers or as guarantors the obliga-tions of the following countries: Australia, Austria, Canada, Den-mark, France, Finland, Japan, New Zealand, Norway, Sweden, Britain, United States and Vene-zuela. It also rates "A-1" the com-mercial paper issued in the United States by Nafinsa, the Mexican States by Natinsa, the Mexican government-owned development bank. Countries rated differently by Moody's, the other major U.S. rating agency, are Finland and Denmark, both rated "Aa."

Only a few top sovereign names have come to the markets with ratings. Those countries that have failed to get the "AAA" rating from Standard & Poor's have gone private placement route. Countries that do not expect a top rating seldom approach us. That would change if more countries were to come to the United States market with lower ratings. Thus, we appland the decisions of Finland and Denmark to issue debt with the split ratings ("AAA" by Standard & Poor's and "Aa" by Moody's).

'As the international markets understand formal credit ratings. they will overcome this love-hate relationship with the AAA rating.'

A sovereign government's rating reflects a careful assessment by Standard & Poor's of the country's economic ability and political willinguess to repay the debt on time. The assessment follows a thorough study of the country, including di-rect and confidential discussions with the key economic and political decision-makers. Such meetings are also the basis for the annual rating reviews. The analysis is conducted by political economists as-sisted by analysts covering the industries that are significant in a given country. The rationale for the ratings is routinely published. Standard & Poor's recently issued reviews of Mexico, Denmark, France, Veneziela and Sweden. Our rating decisions are based on long-term structural and systemic factors rather than on short-term considerations or the latest press reports. In this respect, they differ from the six-monthly country risk rankings already mentioned, whose audience may be more interested in the short-term outlook.

The "AAA" category accommodates as great a diversity of issuers in the United States as overseas. Top-rated U.S. issuers include AT&T, Campbell Soup, J.P. Morgan and Denver. Top-rated non-U.S. issuers include Oslo, Stockholm, the county of Copenhagen and Norway. and Norway.

### Greater Acceptance

There is greater acceptance of this diversity in the United States because market participants recognize that there are specific reasons for each rating. Only 100 U.S. is-suers in a rated universe exceeding 10,000 are rated "AAA." By contrast, about 40 of the 200 non-U.S. issuers carry the top debt rating. Another reason is the recognition of the role of credit ratings in the market. Credit risk may influence the way securities trade, but there is no reason why the way they trade should influence the issuer's credit standing; market prices may reflect important supply and de-mand considerations independent of credit quality.

Europeans have a love hate wat-tionship with the "AAA" category.

Some potential issues will have so. cept any other rating and therefore, go unrated. Other market, participants, presumably traders, would prefer greater distinguish among the top rated issues. From surveys conducted resembly for Standard & Poor's, we have found that investors in the United States. prefer to have no distinctions; made within the "AAA" criegory. We suspect that European inves-tors would probably have the same preference. The wide disparity among the "AAA" rated entities derives from the celestial nature of this rating category. An issuer must pass a threshold of credit. worthiness to enter it, but there is: no higher category to go to. Once in heaven, all are equal.

As the international markets understand formal credit ratings. they will overcome this love have relationship with the "AAA" rate ing. The non-U.S. investor will reom ognize the unfairness of hearing! only about the good ratings. The relatively less known issuer who has a good story to tell will learn about the benefits of a rating. And the markets in Europe will acceptthe notion that a credit rating is. only one factor that affects the way a security trades and that rated securities might trade in nar-rower ranges if formal credit ratings become an established convention outside the United States.

Mahesh K. Kotecha is a vice president of Standard & Poor's Corp.



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# The SDR Revolution Speedy and Smooth

ONDON — Just over a year ago, the International Monetary Fund announced its plan to simplify the structure of its Special Drawing Right, the currency cock-tail in which it denominates its inter-government loans and borrowing. In 12 months, the international banking community has witnessed a speedy — yet smooth and efficient — revolution. The SDR has achieved the status, in that short space of time, of a familiar

In January, seven international banks - Barclays, Midland and National Westminster of Britain, Chemical and Citibank of the United States, Standard Chartered and Hong Kong and Shanebai for the international commercial banking community — established a market in SDR certificates of de-

component of the international

commercial banking system, and its use in syndicated loans has vir-

This development was greeted by public expressions of interest from investment banks and brokers in participating in the new market, and that participation — particularly the quotation of SDR CD rates on the Reuters system has been helpful to the growth of the market.

Despite the powerful counterat-traction of higher U.S. dollar inter-est rates, and a strong dollar (which gave a positive yield pickup over the SDR without any foreign exchange loss during the first half of 1981), the SDR CD market has grown from about 50 million SDRs in December, 1980, to an es-timated 500 million to 700 million SDRs by October, 1981.

### Short-Term CDs

Short-term SDR CDs have found ready acceptance with is-suers and investors. The volume of CDs placed in well under one year already exceeds the total volume of SDR bonds and notes ever issued over the previous six years.

The SDR loan market was given an impressive debut by the deci-sion of Sweden to include an SDR tranche in its first large syndicated loan of 1981. When the loan was signed in April, the SDR tranche had reached 500 million SDRs (compared with an original target of 150 million SDRs) alongside a U.S. dollar tranche of \$800 mil-

A month later, the Ivory Coast became the first developing country to borrow SDRs when an SDR tranche equivalent to \$50 million was included in its \$250-million fi-

The first all-SDR loan (that is, without any dollar tranche being involved) for 47.5 million SDRs was signed in July for CADAFE. the Venezuelan electricity anthori-ty. It also represented the first use

By Lawrence de V, Wragg of SDR financing by an OPEC

At the time of writing, a second all-SDR loan for FENOSA, the Spanish power utility, has been brought to the market, with an amount of 100 million SDRs, and a major financing for NAFINSA, the Mexican state developing agency, is split equally between SDRs (220 million) and dollars (250 million).

It is to be expected that by the end of 1981 the volume of SDR syndications will have increased from the present level of about 900 million SDRs to the I billion mark - not unsatisfactory progress for the first year.

There are a number of comments that should be made about the development of this market. First, the strong (and expensive) U.S. dollar has much enhanced the attractiveness of the SDR to potential borrowers during 1981, and interest rate savings (without any significant offsetting foreign ex-change loses to date) have ranged

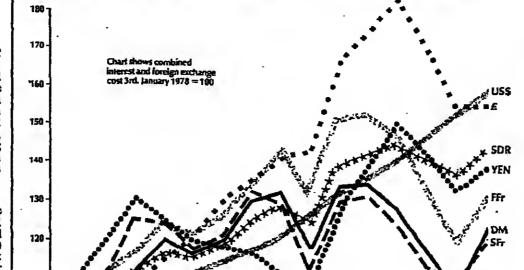
between 150 and 300 basis points.
Secondly, there has been interest shown by developing countries in borrowing SDRs, in line with market realization of its value to such borrowers as a means of reducing Thirdly, the SDR loans and SDR tranches concluded or under

negotiation so far have been priced at market rates. There is no reason for a borrower to pay extra fees or spreads for the advantages of borrowing SDRs.

Fourthly, loan documentation has developed quickly to broadly standard structures and drafting. SDR loan agreements do not need to be more complex than their U.S. dollar counterparts, and indeed are now simpler and shorter than En-rocurrency agreements involving multi-currency clauses.

Development of the SDR market and the growing number of banks involved has helped the development of the forward foreign exchange market in SDRs. It is now possible to buy or sell SDRs forward against U.S. dollars for periods up to a year (including broken periods) and in amounts up to 40 million to 50 million SDRs. This year has also seen the beginning of broker-negotiated forward foreign exchange transactions in SDRs. In practice, this market seems to

be used at present by two major groups of participants. First there are banks who have SDR assets (loans or CDs, for example) and who are funding them using a combination of dollar deposits and USSOR hedeing themselves the for-US-SDR hedging through the forward market. This technique is particularly useful to banks who have not yet fully developed inhouse SDR dealing expertise, or expect to be active relatively infrequently.



Total Cost of SDR Compared With Major Currencies

Secondly, there are investors in SDRs who use the forward market to get into or out of SDR deposits accordance with their reading of market developments. For example, an investor who expects to receive funds (in dollars) in twn months and to put these funds into an SDR deposit, and who expects the dollar to depreciate against the SDR over that period, will buy for-ward the SDRs to establish the deposit, and thereby obtain a favor-able dollar-SDR rate.

In the same way, an investor with an SDR asset (deposit or CD, for example) who must make a payment in dollars some months ad, and who expects the dollar to appreciate against the SDR dur-ing that period, will buy forward the dollars needed.

Further potential exists in this market to use short periods (say, seven days up to one month) to hedge trading inventories of short-term SDR paper held by institu-tions with access to dollar funding at advantageous rates (that is, below normal interbank rates) who require only to hedge over a short period their foreign exchange ex-

It might well be asked why there is a forward foreign exchange mar-ket in SDRs but no spot exchange market. The answer is that spot SDR transactions always arise against the issue of maturity of some SDR instrument (for example, a CD) or in respect of SDR interest payable. Therefore the use of a transmission currency (frequently dollars, but in principle any available and convertible currency) against the instrument concerned is wholly adequate in prac-

True spot transactions (such as may be carried out between dollars and Deutsche marks) do not exist in SDRs, for two main reasons: A commercial payment cannot be made in SDRs, and no one can hold a current account balance in commercial SDRs. In consequence, there is no point in spot SDR deals unless they are linked

to a particular instrument. With one exception, all SDR transactions are settled by the use nf a transmission currency. If a de-positor moves an SDR deposit from one bank to a second bank, the first bank repays the depositor the dollar value of the SDR deposit, which the depositor then transfers to the second bank to establish the new SDR deposit.

The exception is for transactions within Euroclear, the Brussels-based Eurobond clearinghouse, where it is now possible to settle purchases and sales of SDR denominated paper (e.g., bonds) in commercial SDRs, Euroclear operates accounts in SDRs and will credit or debit an investor's ac-count following a transaction. However, for the investor either

to put the SDR account in funds, or use a credit balance to purchase a non-SDR asset, a foreign exchange transaction is necessary. This service is now provided only by Morgan Guaranty, Brussels, acting as a contact between the Euroclear system and the outside world, through a system of SDR current accounts, one of which is held by Euroclear.

That application now has a low-volume of use, but it demonstrates the difficulties in developing an SDR clearing system in the ab-sence of a central bank or monetary anthority able to clear balances between different banks. and to provide additional SDR funds or absorb surplus SDR funds in the system. In these circumstances, it will be more straightforward to settle SDR transactions using transmission currencies that are well-under-stood and simple in bookkeeping.

Lawrence de V. Wragg is an executive director of Chemical Bank In-ternational.

# The Good Life Is Even Better

At IMF Meeting

WASHINGTON — A question of confidence may explain the lavish entertaining throughout the day at the recent International Monetary Fund meeting. There were also a dozen or so expense no object pre-dinner receptions each evening private banks outbashing each other at lead-ing restaurants and hotels or at museums and galleries (Bank of Chicago at the Corcoran, First Bank of California at the Textile Museum, Bank of Brazil at the Mellon).

The U.S. Treasury received to where else — the National Gallery.

With little or no non-Western coisine (but then, for reasons no one could explain, few of the gnests seemed to be from the IMF's 80-odd African and Asian member states), overloaded buffets offer huge sides of hot beef, all kinds of cold cuts, fresh fruit and vegetables, endless rows of canapes, the very best of alcohol in every known form, and crushed-ice mountains covered with oysters. "We get through a couple of thousand of these a night," one of a team of oyster shockers explained.

Oysters must be a key ingredient to clinching all those deals, let alone steering bankers toward other hankers they came to look for. "Our bank has a team of 10 fanned out to the parties," a top Canadism banker said, "each with a list of whom they should get to

# rope, in whatever form may seem preferable. For instance, securities houses with a particularly large

ONDON — The Japanese con-vertible Eurobond market has absorbed a total of \$3 billion of new issues in the first nine months of 1981, roughly twice as much as during the whole of 1980. Yet in that demand. spite of these impressive statistics the Japanese convertible market and even more so, the European depository receipt (EDR) market - remains a mystery to most peo-

The main attraction of Japanese convertibles lies in the option to convert into the equity of the com-pany on terms fixed at the time of issue. In the case of Japanese convertibles, this entails not only a fixed price for the shares (conversion price) but also a fixed dollaryen exchange rate. A calculation to determine parity — the current equity value of the bond — also involves the current share price in yen and the dollar-yen exchange

By Jean A. Smith

Japanese convertible bond prices tend to trade around parity, according to market conditions. Substantial discounts to their equity value rarely occur because these bonds can be converted or "arbi-

Recent trends in the pricing of these bonds have served to empha-size their particular characteristics as equity investments. Firstly, the Japanese Ministry of Finance has lowered the minimum conversion premium from 10 percent to 5 percent; and secondly, coupon rates have also gradually fallen. A borrower of the caliber of Canon paid a coupon of 6% percent last November. This September, Fujitsu Fanuc, an exciting company in the robotics business, set a record low at 4%; and nevertheless, the issue was quickly placed.

### Lower Coupons

Lower coupons point to one rea-son why the number of borrowers coming to the market accelerated in August and September. In Ja-pan, the coupon rate is determined according to the company's capital base; in Europe it is fixed on the basis of the reception it is likely to receive from investors. Thus a company such as Fujitsu Fanuc, which is young but much in de-mand with overseas investors, will escape with a much lower rate. In addition, if bullish expectations for the yen over the coming years are fulfilled, a coupon payment in dol-lars may work out cheaper still. It is important to note that, al-

though Japanese companies have been borrowing heavily in Europe in 1981, this is only relative. Tokyo has seen over 1 million yea of equity issues this year. New convertibles and EDRs represent an attempt to spread the load for a small percentage of the company's total financing requirement.

New domestic equity issues are not available to foreign buyers, and there has been rising demand for Japanese equity abroad. Therefore, it is logical to issue a propor-tion of an equity offering in Enbuying interest from an Arab investor have encouraged their clients to issue EDRs tailor-made to

A question of presuge may also be involved. This was traditionally regarded as the prime motivation for issuing EDRs. EDRs usually represent 1,000 shares. They are priced and quoted in dollars, and are convertible into the equity of the company. They are often issued at a 5-percent discount to the prevailing share price in Tokyo.

### Attraction for Investor

Issuing EDRs may be more ex-pensive for the borrower but, for reasons mentioned above, companies may still find it preferable. Almost \$450 million of EDRs has been issued this year.

If issuing convertibles is cheaper for the borrower, can they still hold any attraction for the investor? The initial success of such issues as Fujitsu, which was chased up to an 8-percent premium over the issue price (which already in-corporates a premium to the equity), seems to indicate that they

To the long-term investor, the attraction lies in the increased yield of the coupon. In compari-son, dividend yields in the Japanese market are usually minimal. Although the coupon on Hitachi was fixed at a then record low of 54 percent, it still compared very favorably with the 1.16-percent yield on the equity. After a period in the secondary market, conversing premiums are often low - the average in normal market condinons is about 11/2 percent - so there is little disadvantage on that

The short-term holder, to whom increased yield is less important, will have other requirements. With accurate timing, it is possible in maximize capital gains by taking advantage of a rise in the conver-sion premium of the bonds. For example, a buyer of Murata's 5.25-percent bonds of 1996 would have shown a profit at one time of 17½ percent, compared to 12 percent on the shares because of a rise in the premium.

EDRs are attractive both to long- and short-term holders. The former regard EDRs as a cheap equity offering. The latter may use the discount on the offering as a basis for arbitrage, again increas-ing capital gain. Though a second-ary market does exist in EDRs. most holders prefer to convert rather than sell the shares at a discount. In our experience, comparatively few convertible holders will convert where a secondary market exists for the bond.

Needless to say, buying a convertible is not without its disadvantages, the principal one being illiquidity. While the turnover and scope have notably improved to-gether with the market's growing popularity, it is still undoubtedly

tions, trading in size may present difficulties. Theoretically, the yield on the bond should provide some downside pretection, with premiums simply growing as the equity value falls. In practice, the current increasing differential between straight bond and convertible bond yields means that the bond will have to stand at roughly 40 percent of its issue price for this

edge to come into effect. On balance, then, does the borrower's predilection for the market match the investor's? The honest answer must be: No.

Examples of near-disaster that spring to mind are the simultaneous issues for Dainippon Ink, which lost 20 percent in the first few days, and Hazama Gumi, which opened trading 4-percent below its issue price before shortly falling a further 6 percent. A falling market and flood of new issues at the time masked more funda-

mental shortcomings. The Japanese equity market has attracted foreign interest, by and large, in certain favored sectors; and correspondingly, the appetite for convertible bonds in those sectors seems almost insatiable in good market conditions. It would ake a great deal more than a 5percent income yield to encourage genuine foreign investors to adopt an equity holding that they would otherwise never consider. A few months ago, a broad spectrum of Japanese borrowers rushed pellmell to take advantage of increasing interest in Japan. But the rush blind to the investor's real require-

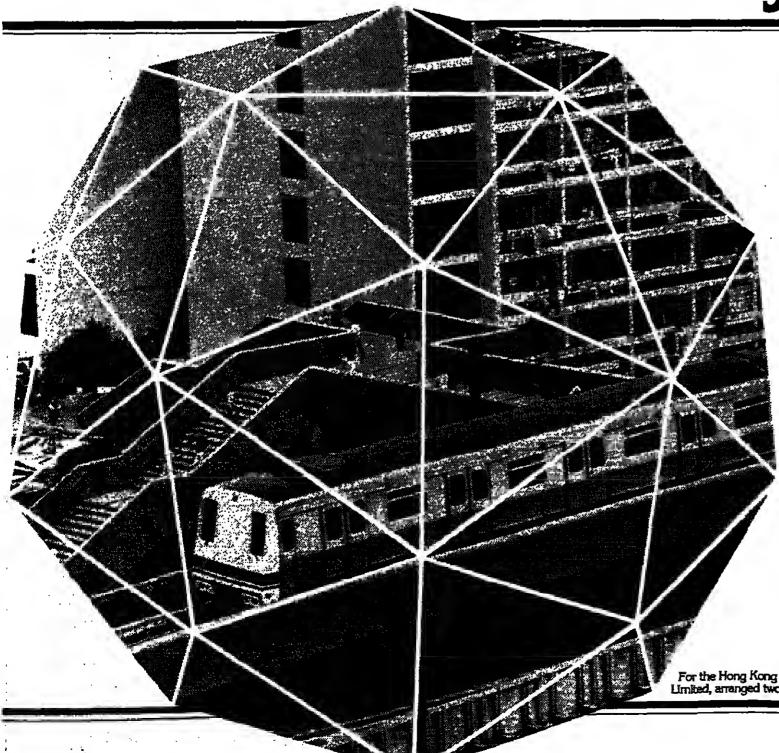
### Corporate Client

Cynics would say that some deals were brought solely to sweeten the corporate elient in Tokyo, irrespective of market condi-tions. Only one of the new issues hrought in a rapidly worsening market in September was withdrawn; and that (significantly?) by a non-Japanese lead-manager. Inevitably, it is the middlemen who suffer in this fundamental conflict of interests - in most cases, the underwriters, who (misguidedly, it seems) rely on the manager's sup-porting and adjusting the deal in bad market conditions to cushion them and the investor. Following. the painful failure of many recent new issues, one hopes that the pressure of popular opinion will bring about a more realistic envi-

Until the conflict is resolved, it will pay to be selective when buy-ing convertible bonds. Having said that, both the long- and short-term borrower can benefit from the particular attractions of EDRs and convertibles. Short-term hiccups apart, the fundamentals are still right to make Japan one of the exciting markets of the present and of the future.

Jean A. Smith is an account executive at Cresvale International Ltd.

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By Andre M. Coussement UXEMBOURG — The Euro-L pean Monetary System was launched in March, 1979, with the

creation of an area of monetary stability in Europe as its main objective. After two and a half years of existence, the results are generally considered to be positive, despite four realignments.

. The European Currency Unit was to be the central instrument of the EMS. It was designed as a basket with a fixed amount of each member currency. These amounts were determined by weighing the economic, commercial and financial importance of the country of

Apart from its role as accounting unit for several European Economic Community institutions, the ECU was given various roles in the

nominator to define the EMS cur-• To serve as an indicator to monitor the fluctuations of the

• To serve as a common de-

• To serve as an accounting device for denominating the 20 percent of the reserves of the EMS central banks deposited with the European Fund for Monetary Co-

A longer term objective has been assigned to the ECU: to make it

progressively the European paral-iel currency and eventually maybe

even the European currency. The first two steps towards these long-term objectives are the use of the ECU in the capital market and the creation and development of

an active money market in ECU. Borrowers and lenders, as soon as they leave their own monetary system, have always been con-scious of the exchange losses they could incur when using a foreign currency to denominate their respective claims and liabilities.

In the Middle Ages, merchants from Amsterdam, Hamburg and other places used the mark banco or the florin banco as currencies of

account. As late as 1871, in the as they are able to make their own agreement between Germany and France putting an end to the 1870 war, part of the war debt France had to pay to Germany was denominated in mark banco of Ham-

Gold has also been used as a currency of account. The Franc Poincare and the Franc germinal were used in the international agreements on air transport, in the accounting of the Bank for International Settlements, and others.

Other currencies of account, all of private origin, had little or no success, like the LF.U., the B. unit, the Eurostable. The best-known unit of account is probably the one designed for the European Pay-ments Union in 1950: the EUA, an indexed currency. It was linked to

At the end of the EPU in 1958, some bankers conceived the idea of using this unit of account as the currency vehicle for international bond issues. The first issue in EUA was launched in 1961 for the Portuguese oil company Sacor. So far, 96 bond issues have been launched in EUA with an equivalent value of more than \$2.5 billion.

Latest Unit

Special Drawing Rights have be-come a currency of account for In-ternational Monetary Fund trans-actions and even for the denomination of Eurobond issues and international credits.

Nine issues have been launched in SDR since the decision of the IMF to reduce the number of currencies in the basket, but none since Jan. 1, 1981.

The ECU is the latest basket unit. For a European currency-based investor, the ECU offers a very good hedge against exchange risks. Basket-type units like the ECU and the SDR spread the risk among the component currencies, while indexed units like the EUA will eliminate single revaluations

Four bond issues were launched in ECU between April and October of this year, for an equivalent total of \$150 million. The good quality of borrowers — like Euro-pean Investment Bank, Hydro Quebec and the stain telecommunications group STET - at-tracted all kinds of investors, both

institutional and private. More-over, the internationalization of the placement was insured by diverse syndicates of foreign banks. A delicate but very important factor for a successful placement of ECU bonds is the pricing. Should the yield be equal, higher or lower than the weighted average of the yield of the component currencies? Borrowers will argue that the protection through currency diversification should call for a lower yield, whereas investors, especially the big institutions, will

see oo interest in such a formula,

basket. The weighted average is in any case a very good yardstick. Demand and supply should determine how much below or above this mean the pricing could be

ECU bonds are not only a good investment for private investors looking for an efficient hedge against exchange risks and a fair yield. For the institutional investors - central banks, government agencies, pension funds and others
— the ECU has the advantage of EEC support. It represents a collective agreed-upon judgment for those who think they should diver-sify but are scared to rely on their own judgment

Money Market

By far, the most important trade-off for the investor is the present lack of liquidity. This should be improved by the devel-opment of the ECU money market. The introduction of a new clearing system could also enhance liquidity.

Several banks in London, Brusshort-term ECU deposits. But it

Saint-Gobain-Pont-a-Mousson introduced an ECU inter-company billing system for its foreign sub-sidiaries. This successful experience could attract new participants and enhance this new market Other initiatives such as the issuing by the French Credit National of ECU-denominated short-term notes has also spread the use and the knowledge of this money mar-

all these operations.

The introduction of a clearing

A perfect parallel corrency is a currency accepted widely by the private and public sector as a unit account, a means of payment and a store of value.

19th century and until World War L. The U.S. dollar then took over and still remains the unquestion-able and unchallenged vehicle for all major commercial and financial

But the volatility of the dollar in the foreign exchange markets has eroded its leading position and some new parallel currencies appeared Other Euro-currencies like Deutsche mark and Swiss franc attract people who are more confident in their own judement to expand their possible gains; artifid currencies like the SDR, ECU, EUA, are probably better adapted for those who want to limit their exchange risks and losses without incurring headaches.

land, boundaries and a coastline

running for 7,491 kilometers. The country is bordered by French Guiana, Surinam, Guyana, Venezuela, Colombia, Bolivia, Peru, Paragnay, Argentina and Uruguay.

About 60 percent of Brazil is covered to the percen

ered by forest, 4 percent is cultivat-

ed, and pasture land accounts for a

further 23 percent. The population is estimated to be in the region of

The country gained its inde-pendence from Portugal in 1822,

and since 1964 has been ruled by a

military-backed Presidential regime. Free elections will be held in

1982. Any alteration in this plan

would now result in a colossal loss

of face and undoubtedly in a swing

for the wrong political direction to the right. Brazil's sheer size has re-

sulted in its being a financial

sponge for decades, soaking up all it could from whatever source was

The country enjoys a mixed conomy with agriculture account-

ing for 15 percent of gross domes-

tic product manufacturing indus-

try accounting for a further 17 per-cent and mining 2 percent. The main agricultural products are cof-fee, rice, beef, soyabeans, corn, milk and sugar cane. Major manu-

facturing industries include tex-

tiles, chemicals, cement, humber,

steel, motor vehicles and other consumer goods and various met-al-working industries.

Vast natural resources have en-

abled the country to enjoy a high

rate of economic expansion, but there has also been a high rate of inflation. The only major natural

resource Brazil is short of is oil,

and petroleum exports during the first 10 months of this year were

Brazil has enjoyed positive growth every year since the mili-

tary government came to power in 1964. However, the price in terms of inflation has been high.

Recently there has been a dra-

matic shift in economic policy with

equal to 46 percent of exports.

120 million.

coming gradually an acceptable currency for both borrowers and lenders. It also has the official backing of the EEC.

But all that is not sufficient. Borrowers and lead banks should offer realistic conditions to the investors, avoid consession and organize a liquid secondary market. They should pursue a proper marketing policy with all partici pants. Governments of the EEC member countries should encour-The ECU, as it is constructed, age the use of ECU by their ma-had the built-in possibility of be-

toreign exchange controls. They should consider the ECU as consi to the national currency for many ance companies, pens and others who have contain

The ECU is facing the chal-lenge. Only consistent effects by all involved will make at possible to meet it.

Andre M. Coussement & a ment

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sels and Luxembourg are daily quoting bid and offered rates for remains difficult to on-lend deposits and most of these banks split the ECU deposits in their component currencies and replace them

in the money market.

Multinational companies like

ket instrument. But banks hesitate to come into this market because the lack of a clearing system imposes burden-some administrative paperwork. They have to either open new accounts with other banks participating in the ECU market, or they have to split every deposit into its on in the money market and keep a separate accounting system for

system would of course be tremendously helpful. But should this clearing system be entrusted to an existing institution? Should its service be limited to a simple clearing or should it provide short-term overdraft facilities?

An important innovation that accompanied the launching of ECU bonds was that bonds were made payable and redeemable in ECUs. Even interest payments will be made in ECUs. This of course also helps to develop the ECU money market, because investors are induced to open ECU accounts with banks and to participate for reasonable amounts in this market.

Sterling fulfilled this role per-fectly during the latter part of the

LONDON — Brazil has a land area of 8,520,100 square kilometers, with 13,076 kilometers of growth in spite of positive growth being achieved during the early part of the year.

A Look at a Borrower Country

Foreign Debt . Brazil's foreign debt, according to the central bank, amounted to \$56.15 billion at June 30, 1981. Current estimates are that it will rise to \$60 billion by the end of the year. So far this year, \$13.25 bil-lion has flowed into the country. Brazil's government consolidates both public and private sector debt, which in turn tends to pro-duce distorted and somewhat elarming figures.

The foreign debt profile of Brazil reveals the ratio of public sector borrowings to private sector debt is in the region of 2 to 1. During 1981, Brazil will repay \$7,661.5 million of debt, of which \$3,352.9 million was repaid during the first balf of the year. This half of the year. This means that, at least in the second half of the year, amortizations will amount to \$3,607.4 million.

A fall in interest rates would in-deed be a windfall for Brazil. Every 1/2 percent fall in interest cost in London interbank offered rate (Libor) would result in an annual interest saving to Brazil of at least \$500 million per annum. During the past year the short-term debt of Brazil has risen sharply, but fig-ures relating to loans with a matu-rity of 12 months or less are not

Inflation is slowing down. The 4.4-percent rate for October resulted in the moving 12-months average decliming from 109.8 percent for the year ending Sept. 31, to 103.4 for the 12 months ending Sept. 31. Money supply figures for October were not available at the time of writing, but those for the year October, 1980, to September 31, reflected an increase of only 61 percent. Domestic lending and leasing operations have been subject to increasing regulations as the year has progressed.

Consequently, industry is turnng more and more to overseas funding, which naturally is more hazardous for borrowers as they are forced to run an exchange risk. Economically, Brazil has steered a

balance its trading account. In September, the country crased its trade deficit for the first time in trade deficit for the first time in four years. The first 10 months of 1981 produced a trade supplies of 5601 million. Exports during the period jumped by 17.1 percent to \$19.1 billion, while imports fell by 4.1 percent. The latter is because of the sharp decline in echacine activity induced by high, credit controls linked to a rigid import program.

### Export Gain

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The gain in exports is even more remarkable in the wake of the current world recession for three primary products — coffee, cocoa and sugar. Coffee sales for the first 10 months were down by no less than 36.5 percent. Soyotan meal and cake exports, on the other hand, were 65 percent higher at \$1,031 million. The priority of correcting the balance of payments has forced the government to fol-

The National Alcohol Program (Proalcool), which will cost \$5 billion, aims to replace 45 percent of Brazil's gasoline consumption with alcohol by 1985. The program has already made a dramatic impact on the Brazilian motor industry. In 1980, 250,000 vehicles manufactured in Brazil were designed to run on straight alcohol.

Devaluations this year have been at a very much faster rate than has been witnessed in the past. Between January this year and Nov. 13, the cruzzino was de-valued against the U.S. dollar no less than 30 times and by a total of 78.5 percent; the corresponding figure for the same period last year was 44.5 percent.

### Account Delicits

The September issue of Morgan Guaranty's publication, World Financial Markets, pointed out that Brazil was one of the few develop-ing countries that is not currently witnessing a trend toward larger current account deficits. This is a particularly interesting observa-tion, as Morgan Guaranty was very critical of Brazil's economic tactics at the beginning of 1981.

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# Euromarket Emerges From a Tumultuous Adolescence Into a Period of Restrained Growth

(Continued from Page 7S)

about half the \$112 billion surplus of 1980, and likely will fall to \$45 billion in 1982 — the result of reduced oil sales to the economically depressed industrialized countries, the increased rundown of stockpiles by oil companies seeking to avoid the high cost of storage and the decline in the real cost of oil as the price per barrel has failed to keep pace with the level of world inflation and the rise in the cost of OPEC's imported goods and ser-

OPEC's reduced surplus is of course good news; it means the oil deficit of the importing states has been reduced. But this improvement, the experts believe, is con-fined to the major industrialized states. The oil bill of the developing countries, where economic growth remains relatively high, is expected to be little changed from the \$97-billion deficit estimated by the International Monetary Fund at midvear.

The critical question now is how much of the slowed growth in the Euromarket's asset base will be translated into a slower desire or willingness by banks to go on lending to the deficit countries, especially to the already very heavily endebted developing countries.

The market's seemingly infinite ability to lend, to create credit, to finance inflation as well as speculation on the foreign exchange market was at the root of officialdom's displeasure at its hectic growth during the 1960s. The fact that all this was happening outside the direct control of any official monetary authority was a source of endless official despair.

But the mood changed radically in 1974, following the first "oil shock" and the quintupling of the well-head price. The Euromarket's capacity to make loans was then turned into a virtue called recycling — taking deposits from OPEC and lending to governments from Argentina to Zaire, enabling them to pay for their imports without having to seriously curtail their standard of living. That Euromar-ket credit might fuel inflation or be used to finance speculation on the foreign exchange market became a less important worry than seeing to it that the oil price increase did not pull the world into an econom-

Today, the recycling process has expanded beyond the mere shifting of oil exporters' surpluses and includes transforming savings generated in industrial countries to deficit countries. U.S. banks, in particular, have been big suppliers of funds — supplying \$15.2 billion of new money in the second quarter, up from \$6.9 billion in the opening three months of the year,

To criticism that this intermediation has weakened the banking industry by making it vulnerable to financial and political upset in the Third World bankers insist that losses on international losses

are a fraction of their losses on domestic business and, more importantly, that their exposure to these countries is small when put in context of their overall business.

International lending represents some 16 percent of total lending by Western banks. Loans to con-cal developing countries account for about 30 percent of the international loan portfolio of the banks; loans to Eastern Europe and OPEC countries each account. for just under 10 percent of the to-

The two largest non-OPEC developing countries - Mexico and Brazil - account for just under 40 percent of the banks' total exposure to this group. The 10 largest NOPECs account for about 70 percent of the NOPEC loan portfolio and the 20 largest account for about 85 percent. Bankers insist these are the most creditworthy of the developing countries.

### Supervision

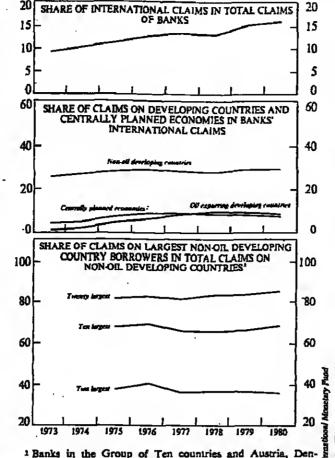
While still outside the control of any official body, the Euromarket has come under increasing supervision as banking authorities in Europe and North America coordinate and intensify the way they look at the books of banks. There is now agreement that bank regula-tors will look at the worldwide assets and liabilities of their banks on a consolidated basis to assure that the key measures of health conform to the norms established domestically.

As a result, West German and Swiss banks have virtually ceased taking on new business, awaiting regulators' reaction to the consoli-dated data. Frankfurt bankers expect that it may take until next March before they have some idea whether they can go on building their international activities or whether they need to cut back fur-

In the meantime, the dollar financial credits that West Germa banks used to arrange for Third World borrowers to accompany the export credits for goods purchased in Germany are no longer being made. Providing the financial credits was often the "sweetener" German exporters were able to offer to help win the business. Frankfurt bankers say these are rarely needed now in light of the depreciation of the Deutsche mark and the resulting improvement in the price competiveness of German goods.

In the rare cases where the banks are called on to supply fi-nancial credits, the West German banks are passing the business to U.S. banks, who complain of the extreme difficulty of breaking into the domestic market and delight at the opportunity to show their prowess to German industrialists.

Nevertheless, the problem for virtually all banks is that the size of their balance sheets has been growing much faster that their capital base. If this continues, they one day will have to either curtail the growth of their balance sheet Concentration of International Bank Claims, 1973-801 (in percent)



mark, Ireland, and Switzerland; excludes interbank transactions within the reporting area.

\* Excludes Fund member countries

Data for 1973-74 are not available

or increase their capital base. In-creasing the base will not be easy. Inflation and fierce international of this debt expressed in the bank's competition have cut profits and self-generated capital growth
— and generally depressed stock
markets have made it difficult for them to raise capital by issuing new stock.

For European banks, the onestion of capital adequacy has been intensified because of the recent sharp rebound in the value of the dollar. A capital base expressed in Deutsche marks, Swiss francs, sterling and the like left plenty of m to take on international business denominated in U.S. dollars over the past decade, Some 70 percent of Euromarket business is transacted in dollars.

But as the dollar has shot up in value during the past year, the valne of these dollar assets now totals a much greater share of total domestic capital than a year ago.

While bankers are constantly reviewing how much developing country debt they are willing to carry on their books, the Europeans suddenly found their expomore just because the dollar value

domestic currency soared by that It should come as no surprise, therefore, to learn that lending to developing countries is slowing quite sharply.

The deceleration is masked by the fact that lending to non-OPEC developing countries set a record in the first six months of this year - \$16.96 billion, according to Morgan Guaranty Trust, up 79 percent from the first six months a But it is obvious from data pub-

lished by the Bank for International Settlements that much of the first-half leading was simply refi-nancing of old loans that had matured because the overall exposure of banks did not increase at anywhere near that rate. The BIS data shows that new borrowing to these countries during the first six months of this year totaled \$13.4 billion - almost half of the \$24.7

billion registered in the second half of 1980 and \$1.4-billion below the amount raised in the first half of

Moreover, the BIS report on first-half activity noted that the acceleration in new borrowing by non-oil developing countries in the second quarter was brought about in large measure by countries outside Latin America ... New borrowing by Latin American countries increased only from \$4.7 billion to \$5.5 billion."

The BIS figures also reveal that as new lending to the NOPECs slowed, those countries began to dip into their reserves by running down the balances they had on deposit in the Euromarket. Their deposits totaled \$87.5 billion at end-June compared to \$91.6 billion at and-1980 — cating up almost all of the \$5.5-billion increase in reserves made in 1980. Of course, this is

what the reserves are for. What is surprising — given the very large need for new financing — is that there has been no increase in the pricing (the spread, or margin, over the London inter-bank rate) of publicly syndicated Euromarket credits to entice lenders to make new loans nor any outcry from borrowers about their inability to find new money.

There are several possible expla-

nations for this. At the start of this year, non-OPEC developing countries had \$59.2 billion of unused credit commitments outstanding - amounts that could be called on at any time.

Another possible explanation offered by bankers is that there has been an increase during the second half of single-lender loans — unpublicized credits by one bank to one lender.

Two groups of lenders would be obvious candidates for this business — Japanese and Arab banks. The international activity of Japanese banks last year was sharply restricted by their Ministry of Finance to channeling short-term capital flows into Japan to help finance an \$11-billion current-ac count deficit. This year, which had started with an official forecast of a balanced current account is now expected to show a multi-billiondollar current-account surplus the result of a record high trade surplus. As a result, Japan is now looking for ways to shovel money out of the country to reduce its embarrassingly large and politically sensitive international surpluses.

The Arab banks are also very liquid - OPEC income may be down, but total assets accumulated since 1974 are very substantial. Lending out of Bahrain is estimated to have increased \$3 billion in the second quarter alone.

Still, there is no getting away from the fact that there has been an overall deterioration in the credit standing of most borrowers. The debt-service ratios - debt-service payments as a percentage of total exports — are rising. The OECD estimates for this year that the ratio for Mexico is 60 percent. for Brazil 58 percent, for the Sudan 44 percent, Chile 45 percent. Peru 42 percent, Ivory Coast 39 percent, Venezuela 37 percent, Algeria 36 percent, Morocco 35 percent, Bolivia 33 percent, Senegal 28 percent and Argentina 27 percent. While there is no hard and

cause for concern. The ratio for Greece is 18, up from 13 in 1978. Spain's is estimated at 13, up from 10 two years ago. For Yugoslavia it is 20, up from 15 in 1978 and for Turkey it is 17, up from 14 last year.

Against this overall deterioration and combined with the mounting constraints banks feel about widening their commitments, it would appear certain that margins on syndicated Eurocredits

It is questionable whether even that concession will make available the sums developing countries are going to oeed. Bankers insist borrowers will have to rely more on official support — lending from the IMF and other intergoverumental agencies - and accept all the strings that may go along with The World Bank is trying to

breathe oew life into its concept of co-linancing as a way to encourage fast rule, it is generally considered that a ratio of over 25 percent is banks to commit oew funds to the developing countries. The basic idea is to bring commercial banks into financing projects sponsored by the World Bank. The idea, launched in the final days of Robert McNamara's presi-

dency of the World Bank, never

took off — in part because com-mercial lenders had their arms twisted to extend more favorable terms and conditions because of the link to the World Bank

rowers tried to use the link to get better terms. Io any event, there is a new effort afoot by the World Bank to inform commercial banks of suitable projects and to elicit

their participation at market rates.
One remaining obstacle is how to reconcile the relatively short seven-to-10-year maturity of commercial loans to the much longer time needed for projects to begin generating the iocome to repay the

But co-financing would serve in two purposes: It would direct bank 3 loans to useful ends (instead of is just financing conspicuous coo- :t sumption as too often happens) g and would free the limited re-sources of the World Bank to be spread over more projects and into > more areas, such as rural development, which would not be appropriate for commercial lenders.

Officials of the World Bank Carl Gewirtz is the financial editor deny they ever attempted to twist of the International Herald Tribune.

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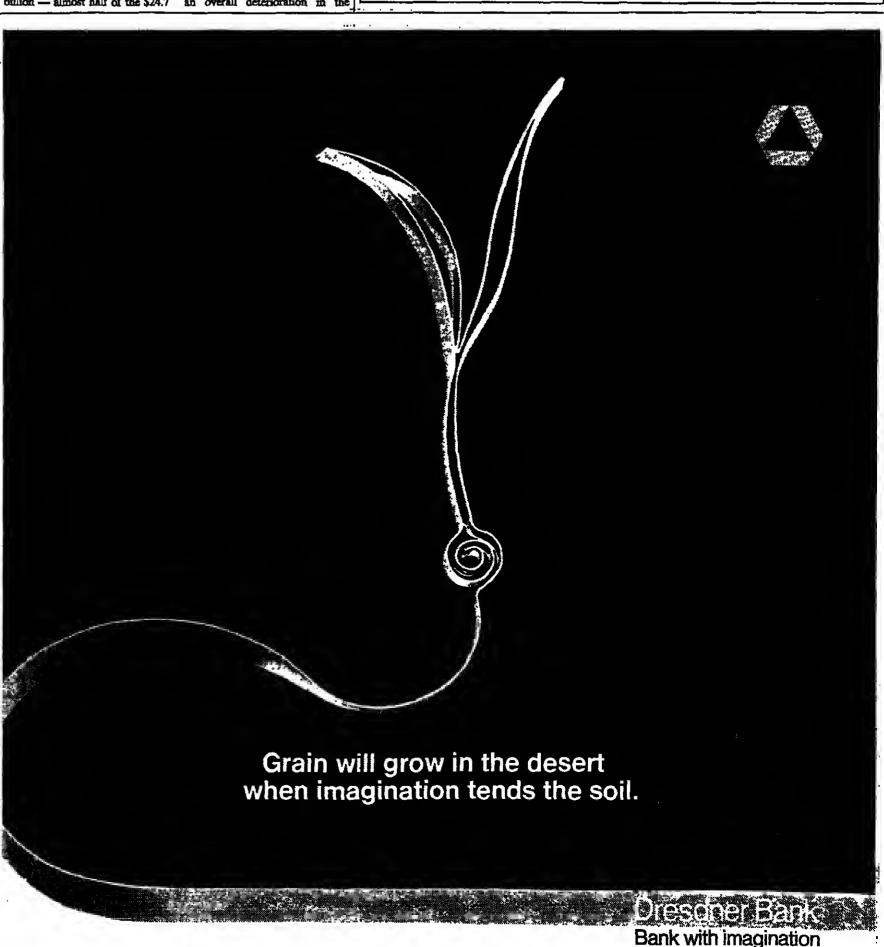
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# Association of International Bond Dealers Makes Its Name Known By John Wolters

ZURICH — Mention the Asso-ciation of International Bond Dealers (AIBD) to a person who is not involved in international banking or finance and you will usually

draw a blank stare. This low public profile is reversed, however, in banking and financing circles, where AIBD is widely known as the organizer of big international meetings and seminars, the publisher of market information and, importantly, the originator and custodian of a set of secondary market rules that help to keep order in an across-border secondary market for bonds.

In noting that it would be unthinkable, today, to be without these trading and settlement rules, it is interesting to add that with very minor exceptions, these rules have allowed for a smooth operation of one of the world's largest,

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The AIBD was formed in 1969, when 150 participants in the Eurobond secondary market decided that order had to be created in an increasingly chaotic market, where settlement delays were eating up or wiping out dealing profits to an alarming extent, and where it was not possible to digest new issues in the primary market because of disorganization and confusioo in the secondary market. It was then that a handful of able people started working day and night to set up an association to formulate market rules and to foster the use and good functioning of the interna-

tional clearing systems. If one looks back at that first year and sees what was achieved by that brave and competent handful, it is almost beyond belief. By association was thinking of further ways to improve the common interests of its members and the markets. The fiery band of individuals who were the driving force behind AIBD still are household names in the market, even though some of them have not been associated directly with AIBD for many years.

### Association Grows

After 1973, the association started taking off in numbers. By 1976, its membership had more than doubled from the original 150. Although there never was again the explosion of activities and tasks that occurred shortly after the founding of AIBD, the organization of meetings and seminars and the publication of market and bond details, members' registers and yield books had become such

were charged with these tasks in the board that, even though a large Swiss accounting firm had com-petently been taking care of much of the secretarial work, it was decided to set up a permanent secretariat

The secretariat was in place in 1977 and has provided a smoothfunctioning administrative center for the association, which by 1981 has grown to nearly 600 members and has an annual turnover running into millions of Swiss francs.

With the administration taken care of, the board could start to coocentrate more effectively on its actual policy tasks. fts 17 members meet about four times a year to decide oo membership questions, on matters brought by its committees, on major financial matters and on general matters relating to the market. Day-to-day matters are left to a seven-man executive committee, which meets about half a dozen times a year.

The board's committees deal with matters like settlement questions, legal matters that are market-related, market practices, pri-mary market problems, education, regional affairs and liaisons with other markets. They are chaired by members of the board and are staffed with experts from the mem-

The committee dealing with regional affairs is made up of people from each of AIBD's twelve regions: the American region; Belgium; the Far East, France, Monaco and Spain; Germany and Austria; Italy; Luxembourg; the Middle East; the Netherlands; the Nordic conotries; Switzerland and Liechtenstein and Britain Under the chairmanship of a board member, this committee allows sensitive matters to be discussed in the various regions and serves as a conduit for information and proposals coming out of the regions.

The education committee concerns itself, for the present, with the running of the now well-established Montreux seminars. These have produced 530 holders of the AIBD diploma. For those who have gone through an intensive 10day seminar and about three mooths of prior preparation, the exam is по giveaway.

The association publishes monthly the price, yield, and other data on all outstanding bonds covered by AIBD rules. It also publishes a yearly manual of outstanding international bonds,

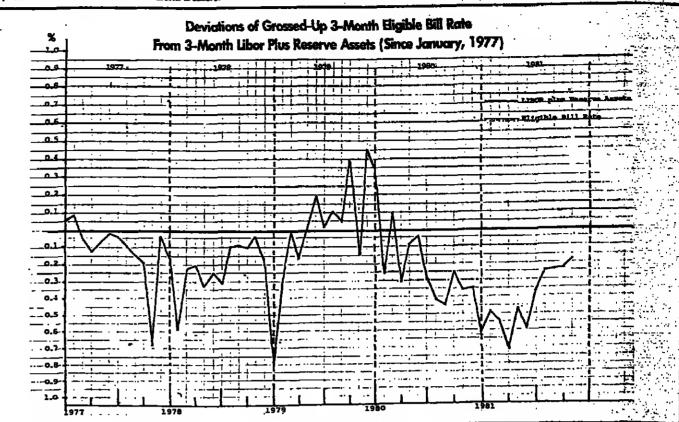
Following the publication for some years of a yield book, the association decided to sponsor a bond calculator, which enables extremely rapid and convenient calculations of bond yields on an AIBD or U.S. Treasury basis. Increasingly, the yield book proved insufficiently flexible; existing portable calculators were regarded as too slow and not programmed with Enrobond market operators in mind. To overcome this gap, AIBD asked Coine Instrument Co.

and certainly its most widely 1970. New York settlement delays a burden on the individuals who Ltd. in England to manufacture marketing of the AIBD bond caldispersed, over-the-counter marwere all but forgotten, a viable set were charged with these tasks in 1,250 calculators for the associaculator.

the board that, even though a large iton, which it now sells directly to \_\_\_\_\_\_ its members. Once this sale is completed, probably at the end of 1981, Colne itself takes over the

John Wolters is the secretary of the Association of International Bond Dealers.

# **EUROMARKETS**



# New Life Stirs in an Old Financing Tradition

### (Continued from Page 7S)

that its open-market operations could be conducted smoothly, the Bank of England has encou an increase in the size and depth of the bill market.

Thus, not only did the bank in-

crease its bill purchasing activity, so depressing bill discount rates in relation to interbank deposit rates, but last August it increased the oumber of banks whose bills are eligible for rediscount at the Bank of England. Previously, the list had consisted broadly of the clearing banks, members of the Accepting Houses Committee and the major British overseas and Commonwealth banks. The new list added 40 major European, Japanese and U.S. banks. Certainly the ultimate size of the acceptance credit for Petroleos Mexicanos syndication, which began on the day on which the enlarged list became effective, would not have been achieved had the number of eligible banks not been increased. Not only were new eligible banks eager to increase their acceptance activity, but other banks were motivated by a wish to become eligible, a prerequisite of which is to display a broadly based accept-ance business.

curred when the Bank of England recently made a limited departure from the underlying principle that bills must be drawn in respect of short-term self-liquidating transac-tions involving the movement of goods. It let it be known that it is prepared to consider granting eligible status to bills drawn by foreign governments in anticipation of a sterling bond issue provided that the bills are not continuously in the market for more than six months. Foreign borrowers are already making use of this concession; in particular, New Zealand recently raised a £150-million acceptance credit falling into this

Generally speaking, the rules and practices that regulate London acceptance credits are very similar to those applied by banks in the U.S. market, although there are a number of distinctions. First, the restricted list of eligible banks nominated by the Bank of England's results in the market quoting a single rate for the accep-tances of all of them. On the other hand, in the United States the far larger number of banks involved results in different rates being quoted depending upon their size

Secondly, as mentioned earlier, the London market has moved away from the practice of linking bills to specific transactions, whereas in the United States evidence of the goods being financed is required. Thirdly, bills drawn in respect of the internal trade of a foreign country are not eligible in Britain: this restriction does not apply in the United States. Fourthly, in the United States all national banks are limited by the comptroller of the currency as to the amount of bills they may accept. No equivalent limit exists in Britain, although the Bank of England's general rules on capital adequacy apply. Nevertheless it tends to treat acceptances more generously than commercial loans. Fifthly, the eligible bill is now the principal instrument through which the Bank of England regulates the money market, whereas other instruments are used for this

### purpose in the United States, Discount Rates

As in New York, discount rates for eligible bills tend to be lower than interbank deposit rates. The accompanying graph covering the period from Jan. 1, 1977, plots the differential that has existed between bill discount rates (adjusted to reflect the fact that interest is

effectively paid in advance) and the London interbank offered rate for deposits (Libor) plus the cost of maintaining mandatory reserve requirements (the latter tends to be in the region of one-eighth percent per annum and would usually be ssed on to a borrower). The rate advantage in favor of bills is readily apparent; the distortion occuring in 1979 was largely caused by increasing recourse to the bill markets as normal lending was imped-ed by quantitative credit controls. The fact that the effective cost

of raising finance by way of accep-tances has generally been lower than sterling loans linked to Libor also means that the all-in cost of raising finance by way of sterlingacceptances, coupled with the conversion of the proceeds into dollars and simultaneously taking out forward cover, is lower than borrowing in Eurodollars at rates linked to Libor.

The sterling acceptance market is thus passing through a most interesting period of development; and botrowers as far apart as Italy, Mexico, New Zealand and France are appearing - many for the first

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Egypt (air)	248.00	124.00	69,00	Malagasy (air)	330.00	165.00	92.00	U.A.E (sir)\$ .	330.00		92.00	
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By Gordon S. Anderson

ONDON - The floating rate in May, 1970, when ENEL, the Italian state electricity authority, raised \$125 million for 10 years at a time when the fixed rate bond market was very unsettled and new issues of \$25 million were being postponed due to the unfavorable market conditions.

Since then, both borrowers and investors have become increasingly aware of the benefits of the FRN market. In the last two years, FRNs have accounted for 30 percent of Eurodollar-bond new issue volume. The secondary market has remained active and relatively stable despite the unprecedented volatility of world financial mar-

The accompanying chart shows the movement of six-month London interbank deposit rates over the last two years and a representative level of secondary-market Eurodollar straight bond yields for seven- to 15-year maturities over the, same period. Clearly the straight bond investor has suffered badly over the period. The yield on straight bonds has deteriorated steadily and the market value has shown significant unrealized loss-

Despite the volatility of interest rates and bond yields, the long-term investor in FRNs has not seen any serious erosion of capital and has benefited from the exceptionally high level of interest rates through semi-annual or quarterly tement of coupons

The vast majority of all FRNs outstanding in the sector since the embryonic days of 1970 have traded between a low of 95 and a high of 103. This fact is particularly noteworthy during the last 18 months when six-month Eurodollar deposit rates climbed from 10 percent to 19 percent, and some Eurobond prices dropped as much as 20 points.

Fortunately markets have not been quite as volatile in 1981 as they were in 1980, but few would describe them as having been easy to judge. Precisely for that reason, the FRN market has continued to grow in volume and in structure, with banks, institutions and

smaller investors increasingly ac- This figure is added to the stated

In comparison with straight note (FRN) first appeared in bonds, the yield value calculations the international capital markets on FRNs may seem more complicated to the investor accustomed 10-year maturity, new FRN issue to reaching for his bond yield ta-offered at a reallowance of 1 perbles or electronic calculator to cent would be 0.35 percent (1 dicheck the yield to maturity. The vided by 10 equals 0.10 added to very nature of FRNs precludes the calculation of a definitive maturity yield, but the FRN's major attraction is its adherence to short-term interest rates, and so the most convenient measure of value is the yield or margin that may be earned over the London interbank offered rate (Libor). Most issues have a market purchases, unless dealt for stated margin (often ¼ percent)

> Despite the volatility of interest rates and bond yields, the longterm investor in FRNs has not seen any serious erosion of capital, and has benefited from the exceptionally high level of interest

at which the coupon for each inter-est period is fixed over Libor. Asng the note can be purchased at a discount from par, the combi-nation of this discount and the stated margin gives an effective yield over Libor for the life of the

rates...

While the sophisticated investor will use the discounted cash flow method to calculate the effective yield, a useful and much quicker way is the short-form or simple method. The latter does not take into account the future value of money, but is widely used to assess quickly the relative yields of different issues. The short-form method takes the amount of discount from par at which the FRN may be pur-chased and divides the discount by the number of years to maturity.

margin to give the effective yield. As an example of this calculation, the effective margin on a standard 1/4 percent over Libor, 0.25 percent margin equals 0.35%).

Secondary Market

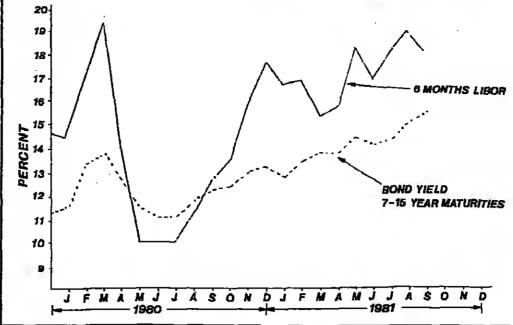
However, this effective margin calculation applies only to notes purchased for settlement on the first day of the period for which the coupon is fixed. Secondary settlement the aext coupon rollover date, require a more complicated calculation to allow for the accrued interest payable and the dif-ference between the current compon of the FRN and the prevailing rates of interest for the period remaining to rollover date.

Reverting again to the standard FRN above, but assuming for this example that normal settlement date is three months into a sixmonth period, the calculation would be as follows: Present FRN coupon minus deposit rate for remaining coupon period, multiplied by the number of days to next rol-lover, divided by 360 would equal the value of rate differential (per-

The rate differential may be subtracted from the market price of the FRN to give a market price for settlement at the coupon rollover date. The effective margin calculation outlined above may then be

The volatility of Euromarkets in 1981 and continuing uncertainty over the longer-term direction of interest rates has created a very strong market in FRNs. Attractive margins are difficult to find, but there have been times when the sophisticated investor, using the cal-culations outlined above, has acquired issues with margins significantly in excess of those seemingly available at first glance.

The table below sets out effective margins for a selection of FRNs. It will be seen that the margins can vary significantly, reflecting a number of factors, in particular an assessment of the credit-worthi ness of the borrower and the mm-ber of years to final maturity. The calculations have been made with



the bank or large institutional investor in mind whose ability to lend or borrow funds at or very close to the London interbank deposit rates is not aormally available to the smaller investor. However, investing in FRNs, the latter will receive a rate of interest that far exceeds the rate that he could expect by placing funds in a deposit account, yet still enjoy good market liquidity and limited capi-tal risk, even in volatile markets.

In the early years of the FRN market it was a generally accepted theory that after a period of high interest rates and a strong FRN sector the latter would be weak when rates began to fall and investors returned to the straight bond market. Experience has shown this not to be true to any great extent. While uncertainty over the level and direction of interest rates remains, the prudent investor will continue to seek good quality FRNs with attractive mar-

For the investor already benefit-ing from ownership of FRNs, there is still the possibility of im-

proving yield by switching from one issue to another to take advan-tage of higher coupons, a better effective margin to maturity, or sell-ing an issue that looks expensive against the rest of the market, per-

possibility of switching from one issue to another to get higher coupons — or of selling an issue that

The investor has the

haps for short-term technical reasons such as a market short.

looks too expensive.

The FRN prices tend to move in a fairly precise manner. Those with coupons lower than the prevailing level of interest rates, at a time when rates are rising, will begin to

rise in price in anticipation of the improved fixing as the date of the next coupon rollover draws nearer. However, the price will begin to drop if, after the rollover date, the movement of interest rates continues upward. Conversely, at a time of falling interest rates, FRNs with high coupons, which for the first part of the coupon period will have appreciated in price, will begin to fall in price as the rollover date ap-proaches in anticipation of the

much lower coupon fixing.
With the different borrowers in the sector having a wide range of final maturities and differing margins with coupon rollover dates spread throughout the year, there may be many excellent switch opportimities. However, the very nature of FRNs makes switch opportunities difficult to spot. The effective margin calculation is a useful measure of value once the relative quality of the borrowers has been tablished by the investor.

Gordon S. Anderson is an associate director of Chase Manhattan

# U.S. Treasury Aide Expects 'Some Weakness' for Dollar

ing down the dollar, because I have great confidence is it," said Bervi Sprinkel, undersecretary of the U.S. Treasury and arch-monetarist. "But, as our interest rates. inflation rate and deficit come down, there may be some tempo-

rary weakness.
"On the average, its going to be on the firm side, and that's to everyone's advantage. The dollar has appreciated a great deal recently. and we haven't been happy. We've been getting complaints from our exporters. But the dollar had declined a great deal previously be-cause previous U.S. administrations had been pursuing highly expansionary domestic policies.
When we tightened up, the dollar started to climb, obviously.

"It is inevitable the dollar will

remain the major currency for a long time; there are no alterna-tives. The U.S. government has an important responsibility in main-taining monetary discipline to provide a strong underprining to the international monetary system. Criticisms that we don't take into account the impact of our policies abroad are unfair. And we have not heard increasing criticism, as some claim, about our intervention

policy."
In unusual circumstances of great disorder, the U.S. monetary authorities would expect to intervene, Mr. Sprinkel said, but under most circumstances, the exchange rate should be permitted to move.
"It is very difficult to identify on any one day whether a particular movement is fundamental or creatic. We just don't think one achieves stable exchange rates with massive intervention in a world with greatly varying economic per-formance and inflationary rates."

Treasury Secretary Donald Regan, Mr. Sprinkel's boss, pointed out at a news conference that a review of dollar movements had shown that it had fluctuated be-

WASHINGTON — "1 don't tween mid-1980 and January, want to be accused of talk-1981, "when there was massive interveation, and between February and August, 1981, when we did

nothing. "However," he added, "I have told finance ministers to pick up the phone and talk to us if they are

worried. We will always be willing

to see if we should intervene. While France's new finance minister, Jacques Delors, said the U.S. monetary policies could mean a dangerous destabilization of developing and industrialized countries, Luxembourg's Premier Pierre Werner said that a reliance on the dollar, its high interest rates and soaring external value had dramatically aggravated real world indebtedness. He urged that the European Monetary System be strengthened. An increased use of the ECU as a reserve asset and means of international private and official transactions would diminish dollar dependence, he said.

A vice president of Chase Manhattan Bank's Treasury Department, Ronald Layard-Leisheing, sees the dollar going into a nosedive after mid-1982. "The U.S. current account is deteriorating interest rate differentials on Eurodollars and other Eurocurrencies are shrinking, and U.S. manufacturing costs are rising some 10 per-cent a year," he said.

Monetary policy is just too tight, and will push us into severe recession, with each I percent inrease in unemployment adding \$15 billion to the deficit. Political pressures building up will force the government to relax its policy. cading to a fall in the dollar," he

Until then, he said, factors such as continued capital inflows, largescale speculation, end-of-year demand by foreign companies for dollars, and a still choppy market for bills and bonds should all help to maintain the exchange rate.

- VANYA WALKER-LEIGH

		Next		Oct. 15	Effective
issuer ·	Coupon	R/O	Margin	Price	Mergir
BBL Int'l 1986	18-5/16	11-20	11/4	100	0,298
Barclays 1990	17-1/4	12-15	<b>y</b> 4	100	0.279
Bergen 1991	16-1/16	1-15	<b>¼*</b>	98-7/4	0.359
Girozentrala 1991	17-1/2	12-23	W*	99-1/2	0.333
Gotabanken 1988	19-9/16	11-1g	1/4	100	0,299
Korea First 1985/89	18-9/16	3-30	1/4	99-1/4	0.496+
Midland 1989	17-7/16	12-22	14	100-14	0.250
Nafinsa 1986	19-34	1-27	1/4	99-36	0.560
Nat.Westminster 1990	18-7/16	12-23	<b>y</b> 4	100	0.295
Societe Generale	18-36	4-1	36	101-14	0.252
Sonwa Int'l 1988	17-1/4	3-24	У	99-1/2	0.246

# Canadian Bankers Continue to Be Gloomy

TORONTO — "If I had Canadian dollars, I'd want to unload my position," said Charlie Langaton, vice president for International Bank of the Canadian Imperial Bank of Commerce.

Though Canada's current account deficit is down from the average Can.\$4 billion a year since 1975 to Can.\$1.9 billion in 1980, debt service of over Can.\$4 billion reserves make the Canadian dollar pretty vulnerable, he said. "I see it more at 80 cents to the U.S. dollar than ever reaching 90, but it wouldn't take much for it to drop

Mr. Langston's gloomy analysis seems to be shared by a good num-ber of Canadian bankers, critical of successive governments for letting Canada live beyond its means, and particularly concerned at the rapid capital outflow — Can.\$6.5 ballion in less than a year — resulting from incipient "Canadianization" of the oil industry, reflecting purchases by Canadians of foreign-owned companies or stakes in

While the government moved this summer to hoist interest rates

most analysis seem to see the Canadian dollar under continued pressure over the next two years.

But others, such as the president of the Royal Bank of Canada, Rowland Frazce, would not un-load the Canadian dollar, seeing it hold at around 82 to 85 U.S. cents,

RBC's economics staff in a reicit could reach Can. \$70 billion in the year 2000, needing cumulative net capital inflows of Can. \$500 billion in the next 20 years, Can.\$350 billion of which would be invested

supported by inflows to finance major projects. However, he warned that present "nationalis-tic" measures have added to the interest cost of Canadian debt issues in the New York market, caused tensions with trading partners, hes-itation among investors, all of which could jeopardize the extent of the contribution of foreign countries to Canada's develop-

in the energy sector (25 percent of expected total energy investment). If Canadian investors in other sec-

nearly three points over U.S. levels to support the Canadian dollar, might exert upward pressure on most analysts seem to see the Canadian dollar in the later 1980s. But foreign borrowing on the scale envisaged is seen by the study as especially worrisome in view of rapidly expanding debt service costs, and subject to increasingly limited access to the U.S. market as increasing flows of U.S. domestic savings go to U.S. energy projects.

Economists at the Chase Man-

hattan bank warn that the reasonably stable relationship between the U.S. and Canadian dollars has been largely due to market expec-tations of similar economic policies in both countries, but divergences between present approaches of the Reagan and Trudean governments, (the latter favoring greater government regulation, higher public sector deficits and cent study estimated that on pres-ent trends the current account def-policies) could, Chase warns, lead to the "unique" currency relation-ship re-conciging at a new, and quite different equilibrium level.

> Vanya Walker-Leigh is a free-lance journalist who has contributed frequently to IHT special supple

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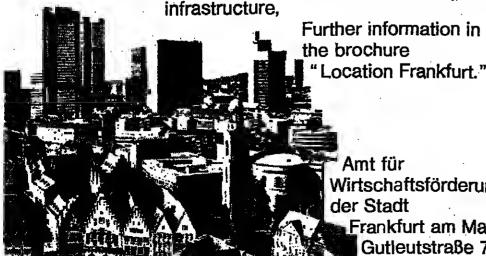
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DARIS - Most bankers know that the International Mone-

tary Fund concerns itself not only with balance of payment equilibrimember countries to manage their foreign debt. This is particularly true in the

Third World, where balance of payment disequilibrium has reached momentous proportions. - The result of balance of payment ...: disequilibrium has meant an aldebt for certain Third World

Total disbursed debt of develop-

ing countries is projected to reach \$524 billion by the end of the year. The reasons are worth remember-that are incompatible with development needs in the world's poor-

A decade ago, the figure stood at a more manageable \$87 billion. During this 10-year period, the single most important source of net new borrowing has been the multinational banks. The banks now stand at the center of Third World debt issues.

At the same time, the need for cooperation with the private banks has not always been uppermost in the IMF's own investment strategies. In fact, until quite recently the fund viewed the Third World lending activities of most multinational banks with a critical eye.

Given a short deposit base, banks frequently do not enjoy the lending capacity to match the long-term development needs of risk, the shorter the term. Third World economies. When funds are available, pricing can be tinational banks have been inconsistent with prudent borrow- accused of extreme mimesis in ing criteria. Can an economy with per capita income not exceeding \$1,000 annually afford to pay market rates on borrowed money? The answer depends on the purpose of

Moreover, some official creditors have argued that commercial banks are motivated by interests

est countries. Commercial interests are interpreted to be of a strictly short-term nature. The higher the

To make matters worse, the multheir lending practices. When a new country came to the international capital markets, one bank would make a decision: the rest would follow. If the decision was positive then the prospective borrower would find himself with a plethora of funds.

Wasteful Consumption

In some instances, commercial bank borrowing has permitted member countries to ignore IMF sanctions on local investment policy and on resource allocation generally. Some Third World borrowers have been able to mortgage future commodity exports against important current borrowing for current consumption. In several instances, current consumption has been wasteful by even the most modest stretch of the imagination. Borrowed money, then, can

serve as a guise to poor economic and political management. This is especially true in those countries where institutional guidelines are

not yet in place.

As the IMF rightfully has pointed out, a poorly conceived borrowing program makes the economic adjustment process all the more difficult to accept, let alone sus-tain. It also condemns future generations to an even more pronounced poverty cycle.

The banks have responded to criticism of their Third World lending activities by noting three important facts.

**Healthy Diversity** 

First, commercial bank lending to developing countries has dem-onstrated a healthy degree of diversity both by region and by country. The word "self-insurance" comes to mind in any discussion of Third World lending. Self-insurance, in this context, means diversification of risk by country.

Second, the banks can demonstrate that the bulk of their loans by volume has been earmarked for larger, more viable economies where local management can put the money to productive use. The uon-oil developing countries with the heaviest concentration of foreign debt include Brazil, South Korea, Yugoslavia, Peru and Taiwan. With the exception of Peru, gross national product growth rate in each of these countries has exceeded 5 percent per annum between 1970 and 1979. This compares favorably with the 87 member countries that the IMF

defines as developing.

Third, bad debt experience in sovereign risk lending has been satisfactory both in relative and aggregate terms when compared with the domestic credit experience of most multinational banks. these flows. The process is known Countries do not disappear, companies do

All three of these points make for good argument. To some extent, however, they skirt the central issue of Third World lending responsibility. Third World sover eign risk lending inevitably has important sociopolitical overtones. This is all the more true in as much as the aggregate size of commercial bank Eurodollar lending is substantial relative to the size of many Third World economies.

In the last decade, 19 countries have come to the table for debt rescheduling. In official aid terminology, this is known as a debt relief operation. In some instances, the debt relief operation has been complicated by heavy sums of not always useful foreign bank debt.

There is room then for a more theoretical approach to Third World lending on the part of the multinational banks. Without a more lasting approach to the mar-ket, the banks could find themselves in the vortex of important loan losses compounded by a hostile regulatory environment both at home and abroad. The banks know this. They are looking for more viable theory on which to premise their lending activity. Meanwhile, the IMF and similar multilateral aid agencies are not short on theory. This probably ac-counts for the lack of dialogue that has marked from time to time the relationship between the banks and the fund. Recent economic events, howev-

er, have served to bridge the gap between private and public sector lenders. The events relate specifi-cally to wide-scale disequilibrium in trade and investment flows. Indeed, the banks have been instrumental in helping to rationalize

as recycling. For better or worse, the recycling process has left the commercial banks with a key role to play in Third World development finance. The IMF recognizes this fact. A lending methodology currently is evolving that reflects the changing composition of the numbers and of the players.

Commercial bank lending to Third World countries has creased from slightly less than \$10 billion in 1971 to nearly \$175 billion by year-end 1981. Exposure, then, has increased by a multiple of 17.5 in the last decade.

### Official Aid

During this period, official de-velopment assistance from the major Western powers grew from \$25 billion to approximately \$60 billion. A decade ago, official development assistance was three times more important in aggregate terms than commercial bank lending. Today, the opposite is true.

The IMF is coming to grips with the more diverse debt structures of most Third World countries. IMF stabilization programs typically include recommendations on the structure and amount of allowable external debt. The fund also serves external debt. The fund also serves extra-officially as a sort of invisible hand in the process of credit risk analysis. The banks sometimes premise their lending strategies on IMF economic analysis and recommendations, which they obtain from prospective borrowers. This is particularly true where repayis particularly true where repayment problems already have been

Debtor nations have come to recognize the important role that the IMF fulfills in safeguarding the development process. Safeguarding the development process **EUROMARKETS** 

sometimes means keeping the banks together.

Pressure has been brought to bear on the Fund to play a more senior role in debt rescheduling operations. The poorer countries want the IMF to lay down fixed criteria on rescheduling and to chair subsequent negotiating sessions. For its part, the Fund prefers to guard its place as an honest broker serving impartially both the creditor and the debtor.

In turn, the banks have rectorocated by conditioning most sover-eign risk debt reschedulings on the borrower's capacity to live within recommended IMF stabilization guidelines. This assures some protection against economic misman-agement. It also enables the fund to steer bank credit into more productive sectors of the economy.

### Economic Order

A deteriorating world economic order has created the conditions for a more fertile dialogue between multilateral creditors, borrowing overnments and private sector banks. It can be hoped that this dialogue will result in a more viable lending environment for all parties concerned. In the mean-time, the banks might do more on an institutional basis to prepare themselves for a place at the table.

Two theoretic or strategic issues are worthy of immediate attention. First, the banks cannot move back from the Third World market. They are already overcommitted in certain countries. The ques-

tion then is one of redelining their

Banks might better fend with the development process by time project-oriented finance or, in the case of short-term losses, to essen-tial trade items. This allows the lender to identify a specific economic, if not financial, payous in the form of export receipts or in-

In most instances, long time in-frastructure or general budgetary finance is best left in the famile of bilateral lenders. Government creditors generally have more leverage in dealing with government porrowers.

Second, banks will thed to reunite their analytic and marketing responsibilities within the fame business units. In too many instances, banks lodge sovereign risk credit analysis in their economics department and marketing in their lending units. This leads to a diffu-sion of responsibility. Unprecessary tactical mistakes become inevita-

Walter Contract of

 $\mathcal{N}^{(i,j)}$ 

\_\_\_\_\_

Marketing loans in the Third World without a clear anderstand-ing of the analytic process repre-sents a disservice to borrower and depositor alikn. More stockneshility, then, needs to be lodged with on-line lending officers.

Richard W Lombard is a vice president at The First National Bank of Chicago. He is now on a leave of absence, serving as a re-

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### Non-Oil Developing Countries: Long-Term External Debt, 1973-80 (in billions of dollars and in percent) 323 370 Total outstanding long-term debt Of which: Public debt to financial institutions 113 21 21 31 27 Major exporters of manufactures Net oil exporters Low-income countries Other net oil importers 25 Share of debt to financial institutions in total long-term debt (per cent) 29.7 343 All non-oll developing countries 25.9 41.7 6.7 21.4 Major exporters of manufactures Net oil exporters Low-income countries Other net oil importers Memorandum item Total debt of non-oil developing 189

Sources: BIS; World Economic Outlook, IMF Occasional Paper No. 4 (June 1981); and Fund staff estimates,

\*Owed by or guaranteed by public institutions in the borrowing country.

Argentina, Brazil, Greece, Israel, Korea, Portugal, South Africa, and Yugsoslavia. Excludes the offshore banking centers Hong. Kong and Singapore, included in this category in the World Economic Outlook.

Bolivia, the Congo, Ecuador, Egypt, Gabon, Malaysia, Mexico. Peru, the Syrian Arab Republic, Trinidad and Tobaco, and Tunisia. Excludes the offshore banking center Bahrain.

Includes claims on the private and public sectors and short-term claims.

Table: International Mondary Flind

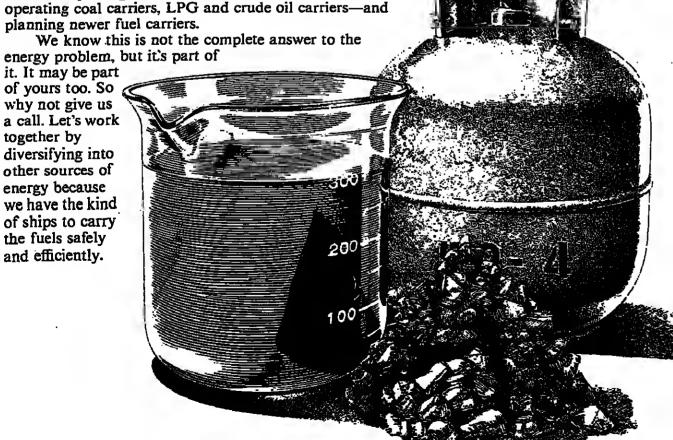
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More are planned as energy needs change and newer energy sources are discovered. and Sometimes a gas? At present Japan derives about 70 percent of its energy requirements from petroleum. Other nations too, rely too heavily on petroleum. And that's not good. We're recommending that reliance of petroleum be cut back by using alternative fuels. That's why we are

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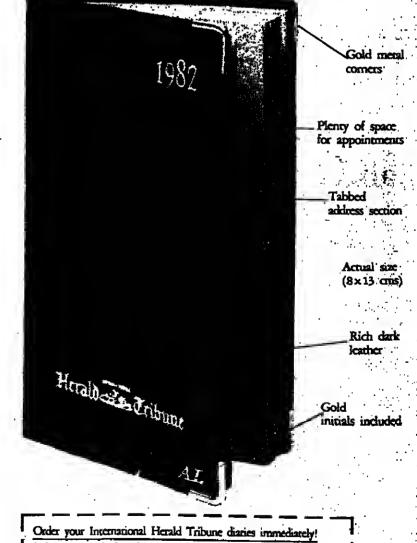
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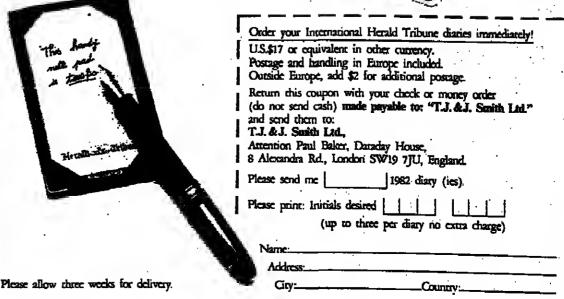
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# Crystal Ball Needed In Futures Market

By Keith M. Woodbridge

LONDON — To get a view of how the financial futures markets work, let us put ourselves at the table of a board of a British company importing raw materials (oil, tobacco, rubber, for example). The directors met at the beginning of January to review their antici-pated activities for 1981. They know that in 1980 they imported \$100 million worth of raw material and anticipated that they would do

the same in 1981. The board discusses the spot exchange rate, obviously listening to the contribution of the financial director. The government was at that time under pressure to reduce the exchange rate to assist exporters, and it was anticipated that interest rates would be lowered 1, 2 or 3 percent on the budget.

With interest and exchange rates swinging so violently these days, financial futures and hedging are not the only answer — but they make a good starting point.

The board decides that there is a reater danger of the rate falling than rising and decides to pur-chase 100 percent (or less) of its anticipated currency needs for the year. They sell sterling contracts on the International Monetary Market (IMM) in Chicago for, say. September at 2.43 % as a hedge and to lock in that rate.

### **January Objective**

In time orders are placed, imports arrive and payment instruc-tions are received. These will be spread over the year (in which case, with experience, the company will spread its futures contracts also over the year), but concentrat-ing only on the September payments the company, in that month, buys its dollars for delivery spot from its bankers at 1.7905 and reverses out contracts to the equivalent value on the IMM. (The price of the futures contract will oow mirror the spot rate). The dollars will have cost more to purchase (1.7905 vs. 2.4375), but the futures contracts will have vielded a counter profit in cash (the net of all the daily contract revaluations).

The objective in January, which was achieved was to lock in the cost of the company's currency

company's advantage. Such actions, of course, also assist governments as there is an obviously favorable effect on the rate of infla-

There is potential for such currency hedging involving both the exporter and the importer.

At the moment, for example, the spot rate is 1.87 and it may be that the bottom has been reached. The exporter may wish to price keenly in dollars, but not yet knowing the amounts or dates on which funds will come to him, may wish to lock in a rate for an IMM future date. If today he chose March, 1982, that contract is priced at 1.8710 and he would buy the sterling con-

tract/sell dollars. Using the interest rate futures contracts to hedge future dollar cash flows is an even greater unex-

plored strategy.

Of the need to do so there is no doubt. Eurodollar borrowers on rollovers terms have been charged rollercoaster rates of 20 percent, 10 percent, 22 percent and currently 15.5 percent since January, 1980. Banks, in charging these rates, have consciously or otherwise ac-cepted the fact that their credit risks have worsened dramatically

### since the loan was first granted two or three years ago. Hedge for Customer

Working perhaps together (the banks placing the hedge in a fidu-ciary capacity on the IMM in the name of their customer), it is possi-ble for the customer to have a

hedge against these swings.

The IMM has two interest rate futures contracts, Treasury bills and CDs each for \$100,000 and each for three months. Permission is awaited for the introduction of a Eurodollar contract.

With all three contracts we are and will be trading in the same manner, i.e. for the same series, of stated future months on which maturities the instrument will be delivered and from which dates they will start to run. We are, therefore, trading forward/forward interest periods

The relationships of the price movement for Treasury bills and CDs for the same period are graphed and plotted against Euro-dollar London interbank offered rate (Libor) by IMM members for their customers. As movements in the rates of these futures contracts do not map Libor exactly, your member will advise on how many extra Treasury hall or CD futures contracts one needs to take out to forge a hedge for \$100,000 of Eu-

ros forward/forward. The hedger may be a Enrodollar corrower wishing to lock in a forward orward price for his next rollover fearing a rise in interest rate or alternatively, a portfolio manager wishing to lock in the same price for the same period be-

# When IMF Equals MCP

WASHINGTON — When at last bankers at the International Monetary Fund conference meet their spouses (nearly all wives) to go off to staid working dinners (mainly in private hotel dining rooms), one may wonder what the presumably desegregated

seating arrangements generate by way of conversation. The daytime "accompanying spouses" program, organized by an all-female committee of spouses of the virtually all-male upper management of a bank, assumes bankers' other halves to be far too frivolous and silly to want to hear anything about the world economy, let alone meet prominent American women, except

Nancy Reagan.

Modern America is dispatched with a dress show at the country club, a shopping trip downtown, a handshake and little speech from Mrs. Reagan — the latter as part of the program's cultural bit - a visit to the White House and a tour of Charlottesville.

The only "intellectual" event, a two-hour seminar on "new par terns of female employment," was a "whitewash and disaster, like the rest of the program," said an Australian university teacher and wife of a banker. "Half the wives may be dumb, but the other half

are just being insulted." But then some bankers (or is it their wives?) obviously do not

like women who can talk shop with them.

Pausing as he extended invitations for a press dinner party to a group of reporters, a banker from Hong Kong turned to the one female reporter in the group and said condescendingly. "I can't invite you, dear, my wife doesn't approve of my picking up girls at

Seeing a look of horror from the male reporters around him, be muttered: "What have I said wroog?"

- VANYA WALKER-LEIGH

Yen, Can.S, and so on) hedge by

In conjunction with the Eurodollar bedge this would have given
a Enrodollar hedge September to
December at 14.06 percent. (On
Sept. 16 Eurosterling for three
months was 14.81 percent).
Einselv if such rates an harman

Finally if such rates can be created in currencies other than dol-

lars, they can given the freedom of regulations in the country in ques-

tion, be used to hedge or arbitrage

the relative domestic interest mar-

entrepreneurs willing to plan and invest for the future, to build new

companies, to employ, to produce

swinging so violently, however,

any long-term entrepreneurial

thoughts must be stifled before

Keith M. Woodbridge is the man-

very good starting point.

With interest and exchange rates

and to export.

Europe is desparately in need of

equates to 2 percent.

both, except that one sells the fu-ture contract and the other buys. As it is the principle that is im-portant and as the Eurodollar contract could soon be with us, it is

simpler to take poetic licence and assume it has arrived. Assume then that on June 12, 1981, a company wished to protect itself from a perceived rising rate environment and decided to lock in a price for its next Eurodollar rollover September to December. Libor on that day stood at 17-

13/16 percent and our assumed Eurodollar contract for September delivery (three months, \$100,000 each) would have stood at 16.06 percent. (We trade interest contracts on an index basis created by deducting the interest from 100 to give 83.94).

The company sold contracts (multiples of \$100,000) at 83.94 index (16.06 percent). The Sept. 14 interbank spot was Sept. 16 (the maturity also of the IMM contract) and Libor and the contract stood at 18 percent (82.00

The company reversed ont (bought its contract on the IMM) at 82.00 (18 percent) and rolled over its loan with the bank, like-

wise at 18 percent. The net effect is that while the company has paid 18 percent on its rollover it has the contract profit in cash to place against it. The all-in cost was 16.06 percent.

### Second Currency

· Finally, our market does oot stop there. If it is possible to lock in a rate for Eurodollars forward/forward, it is equally possible to convert that to a second currency given that there is a forward foreign exchange market (or a futures currency contract on the IMM) available.

same price for the same period believing rates will fall.

The method is the same for to a sterling (or DM, Swiss franc,

WASHINGTON - "The bound will be fairly stable against the dollar in the next few months, but will tend to weaken after that," said Robin Leigh-Pemberton, chairman of the Na-

tional Westminster Bank. "I also expect sterling to weaken against the harder European currencies in the medium term. Britain should become an active member of the European Mooetary System on political grounds, including the cohesion of the EEC. as much as for purely economic reasons," he said.

## beyday of the Sterling Area, Mr. Leigh-Pemberton pointed out, because trade and payments patterns differ radically from those on which the area was based. Other currencies, or currency baskets,

had become more attractive as international reserve assets. Mr. Leigh-Pemberton said he supported the British government's monetary policy, aiming at reducing inflation and restoring

British price competitiveness. But targets for money supply

A Period of Weakness Soon Is Predicted for Sterling Sterling's role can no longer reamd public sector borrowing may ture emphasis will probably be turn to what it used to be in the be over-tight for conditions of placed on other measures of money, or other indicators, though genworld recession. However, present eral direction of monetary policy policies have been less rigid than the targets might suggest. The oew will not change."
Excluded, like other foreign monetary control techniques, emphasizing control of short-term interest rates [introduced on Aug.

banks in France, from the recent nationalization measures bringing virtually all private French banks under state control, he sees a bright future there for Na:West. torily. The main weakness of the government's medium-term finan-"The effects on British banking

relations with France of bank nationalization cannot easily be distinguished from those expected to arise from the general direction of economic and social policies. But generally speaking, overseas banks in France might be expected to gain, or regain, non-resident busi-ness from French banks — for example, British businesses might be more inclined to use British banks like ours, represented in

— VANYA WALKER-LEIGH

# Tokyo Bank Chief Is Expecting a Strong, if Erratic, Yen

WASHINGTON — "The yen VV will stay strong, despite erratic fluctuations," said Yusuke Kashiwagi, president of the Bank

The fluctuations would result from an uncertain outlook for capital movements, under the infinence of liquid financial conditions, and persistently high interest rates. in the United States. Another fac-tor would certainly be uncertainties in the international political situation. simultaneously in June selling dol-lars for Sept. 16 at 1.9905 and buy-ing dollars for Dec. 16 at 1.9905. This 100 basis point differential

"But, overall, the yen is unlikely to weaken over the next twelve months. It will reflect Japan's favorable economic situation - low inflation, relatively high growth, the underlying strength of Japan's current-account position, against the background of an easing in the world's oil supply-demand situa-tion and stability of prices of primary products.

### An Increasing Role

"Japan's many strengths will continue to attract petrodollars, though such investments will be affected by the anticipated reduction in OPEC surpluses. Japan will continue to balance inflows by encouraging capital exports, further promoting internationalization of the Tokyo money and capital markets. Private banks in Japan, as elsowhere, have an important role to play in recycling petrodollars to non-oil developing countries. The Bank of Tokyo is particularly interested in co-financing develop-ment projects with the World

they are ever given form. Financial futures and hedging are not the only answer — but they make a Mr. Kashiwagi said he saw an increasing role for the yen as a trading currency. Yen-denominated trade transactions between aging director of the International Monetary Market's London office. third parties, virtually nonexistent now, will expand as Japan's eco-

nomic importance grows. It is very possible that the yen will be used within the ASEAN area in this way, as Japan's economic relations with the group continue to expand," he said.

Mr. Kashiwagi said that in Ja-

pan, facilities for bankers' acceptances like those existing in the United States had not developed, so it was important to create a financial market for yen-denominated trade bills.

- VANYA WALKER-LEIGH

20] appear to be working satisfac-

cial strategy is the choice of ster-ling M-3. This hasn't been a good

indicator of monetary stringency

- nor has it been relied upon ex-

clusively for policy purposes. Fu-

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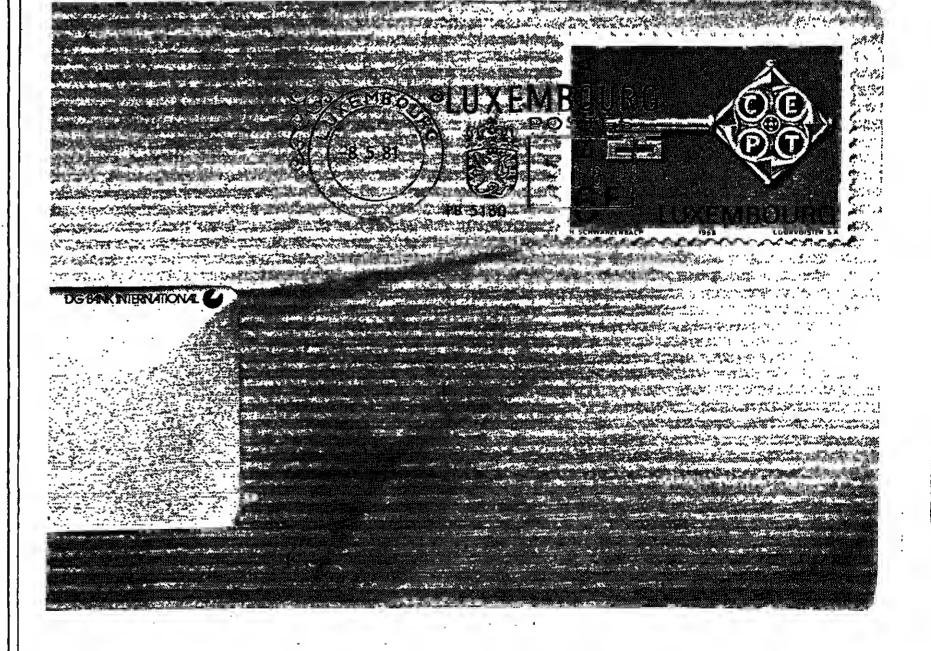
Ente Nazionale Per l'Energia Eleurica, US \$ 200,000,000 (1980-1987)
Ente Nazionale Per l'Energia Eleurica, US \$ 200,000,000 (1980-1987)
United Mexican States, FF 150,000,000 (1980-1985)
European Economic Community, US \$ 70,000,000 (1980-1995)
European Economic Community, US \$ 26,000,000 (1980-1995)
CIT-Alcatel, FF 150,000,000 (1980-1990 conv.)
Renault, FF 300,000,000 (1980-1985)
CII-Honeywell Bull, FF 225,000,000 (1980-1985)
La Redoute, FF 125,000,000 (1980-1985)
Gaz de France, US \$ 80,000,000 (1981-1986)
ED.F., US \$ 125,000,000 (1981-1981)
S.N.C.F., US \$ 75,000,000 (1981-1981)
B.F.C.E., FF 500,000,000 (1981-1986)
Province du Québec, Can. \$ 50,000,000 (1981-1987) Province du Québec, Can. \$ 50,000,000 (1981-1987) Dome Petroleum Ltd., US \$ 75,000,000 (1981-1988)

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Peseta Loan Syndications

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ADRID — International banks are finding that Spanish borrowers aren't as eager as they once were to obtain medium-

One reason for this is that Spanish companies have discovered the delights and beauty of syndicated peseta loans. Until the be-ginning of this year, this type of loan was virtually unknown in

Like a Eurodollar loan, syndicated peseta loans extend over a

period a years but the interest rate is usually fixed quarterly or

semi-annually at a fixed increment over interbank offered rates.

Instead of the London interbank offered rate (Libor), interest rate fixing for syndicated peseta loans are based on the Madrid inter-

bank offered rate (Mibor).

The first major loan syndication in pesetas was a 7-billion-peseta (about \$83 million), six-year loan to Sevillana de Electricidad

S.A., a utility. Organized last May by the Madrid Branch of Chase

Manhattan Bank, the loan was syndicated entirely among banks in

six-month Mibor rate for the first three years and 1.25 points

Since the Sevillana loan, the volume of Mibor-based loans has expanded to the equivalent of about \$2.6 billion, a Spanish banker

**Market Expansion** 

Spanish borrowers prefer to avoid the exchange-rate risk of bor-

rowing in dollars. Perhaps more importantly, Mibor rates have

been below dollar Libor rates for much of the year so that peseta

The development of the syndicated peseta loan market has oc-

cured at a time when Spanish hanks have seen traditional loan

demand fall off because of the husiness recession in Spain. There-

fore. Spanish banks have had spare lending capacity.

Foreign banks in Spain have been eager to find a niche. As

syndicated peseta loans are funded in the interbank market and

don't require a client-deposit base, foreign banks have been very

eager to participate in these loans.

Not surprisingly, the competition has led to a narrowing of spreads over Mibor. A recent 1.5-billion pesets loan to Transmedi-

terranea, the shipping and ferry company, carried a margin of 0.69 points over Mibor for the first year and 0.75 for the remaining

seven years of the loan. The loan was revolving, meaning that the

borrower can continually draw and repay funds over the life of the loan. Midland Bank's Madrid hranch managed the transaction.

One of the reasons for the huge expansion of the market is that

Interest on the loan varies at one point over the one-, three- or

Spain including hranches of foreign banks.

above for the remaining three years.

loans had lower interest costs.

economy have large demands for

creder it becomes difficult if not

Thus, for an economist like Mr.

Wojnilower, the accounts for the

various sectors of the economy should be brought into balance, not just those of the federal gov-

such that needs to be balanced, but

much broader concept of nation

al budget in which the federal

budget is not only a constituent, but also a balance wheel, counter-part as well as part," he said re-

cently.
This is a rather radical idea for a

Wall Street economist in that it im-plies a distrust for the way markets

allocate credit.

Asked whether he advocated

capital controls or a system of credit allocation that differs from

a pure market system, Mr. Wojni-lower said "no" but added that such a development would not be

the worse thing that could happen.

William Ellington is a London

based journalist who specializes in financial and economic topics.

'It is not the federal budget as

# At the Extremes of the Dismal Science

ONDON — The Reagan administration's monetarist and supply-side economists tell us that the U.S. economy will expand while inflation subsides. Some of Wall Street's prominent capital market economists tell us that a credit crunch and business collapse are in store.

Who is right? Probably neither side, as a recession seems to be developing with the result that interest rates have declined far below their peaks. Yet it is worth examining how practitioners of the same dismal science can arrive at extremes of optimism and pessimism. Pessimistic economists such as Henry Kaufman of Salomon Brothers and Albert Wojnilower of First Boston Corp. have persuasive arguments even though their predictions are not looking good at

Almost all economists work with accounting identifies. They rely on the notion that, if the amount on the left side of the balance sheet rises, the amount on the right side must rise by the same amount. Otherwise, someone has not reported complete and accurate figures to the collector of statistics.

Monetarists use gross national product (GNP), that is, the amount of things we produce in a year multiplied by what things costs, as the left side of the halance sbeet. On the right is the amount of money available for expenditure multiplied by the number of transactions required to buy what is

### Money Velocity

Monetarists conveniently argue that transaction volume, known as the velocity of money, changes gradually over time so that it can be used as a constant in working out what will happen to output and prices if the money supply ex-pands at a certain rate. The purpose of squeezing the money supply is to hring inflation down and restore business confidence. However, using generally accepted acply is to hring inflation down and

Bulgoria

Hungary

Romania

Soviet Union

Poland

TOTAL

Yugoslavia

1) Preliminary, 2) Projected

Czechoslovakia

East Germany

Comecon Current Account Balance\*

(in billions of dellars)

1979

+ 0,

- 0.5

- 1.8

- 1.5

- 2.8

- 1,7

- 7.0

Merchandise balance less net invisibles and net payments.

counting principles, we have to al-low for the possibility that output rather than inflation will decline on the left side of the ledger as the money supply growth is reduced on the right. This is broadly what bappened in Britain under Prime Minister Margaret Thateber's flir tation with monetarism, though it could be argued that the Bank England's management of the money supply represents a light

embrace rather than a squeeze. Moreover, output rather than inflation appears to be declining in the United States at the moment. If this continues, public support for monetarism is likely to disap-

A few months before Beryl Sprinkel left his post as chief economist of Harris Trust and Savings Bank in Chicago to become undersecretary of the U.S. Treasury, be was asked whether a growing U.S. budget deficit would force interest rates sharply higher if the Federal Reserve did not create the money to finance it. His answer was that budget deficits are not very important. He said that, as long as the private sector purchases the nment's deht and the public sector spends the proceeds, the funds are effectively recycled back to the private sector. Accordingly, he did not foresee interest rates moving much higher. At the time, the prime lending rate of U.S. banks was around 14 percent. It subsequently rose as high as 21.5

Budget deficits, of course, are something that Keynesian economists pay attention to as they are oriented toward fiscal rather than monetary policy. The important accounting identity for Keynesians is that consumption plus savings on the left side of the balance sheet equals output plus investment in inventories and plant and equipment on the right side. If savings rise too rapidly and are matched on the other side of the ledger hy unwanted inventory accumulation,

- 1.8

- 0.5

- 2,8

-7.1

(Article, other tables on first

19812

-0.1

- 2.0

- 0.5

- 3.6

- 3.1

- 9.5

- 1.6

page of section)

up. Therefore, the size of the budger deficit is an important regulator in the economy. All this falls under the heading of what is elliptically called demand management.

### Output, Investment

Supply-side economists bave emerged as part of the paraphernalia of the Reagan administration. As the name suggests, they pay attention to the output and investment side of the balance sheet Nonetheless, they use the same accounting principles as the Keyne-

One supply-side argument is that if taxes are reduced people will work harder and produce more. Inflation falls under the heading of a tax on savings. It is assumed that savings will rise and businessmen will invest more if inflation is brought down. For in-stance, John Rutledge, an economist who acis as a consultant to both the Treasury and Office of Budget and Management, asserts that inflation represents two-thirds of the taxes levied on American

Another supply-side argument is that output will rise if excessive government regulations are removed. Supply-siders also believe that attitudes and expectations are important. If husinessmen bave a positive attitude they will produce and invest more. Consequently, the Reagan administration's supply-siders dislike critics and cynics who undermine the confidence of

American businessmen. Supply-siders, of course, are unhappy with the views of Mr. Kaufman of Salomon Brothers and Mr. Wojnilower of First Boston. These two "ecopessimists" have been sin-gled out as offering criticism but

### **Mutual Antipathy**

The antipathy may he mutual. Mr. Wojnilower recently said: "How can a country, other than one that begins from deep unemployment, possibly find that added wherewithal for a simultaneous major military huildup, acceleration of private capital investment and stimulation of consumption through tax cuts? And to manage all this while insisting nn a 'no-economic-growth' monetary policy transcends even the powers of

magic."

Mr. Wojnilower is probably typical of many Wall Street economists in that he pays attention to sources and uses of funds. This is another type of accounting identi-ty. The basic idea is that, if one sector of the economy borrows, another sector of the economy must hold the debt. For instance, if the government and corporate parts of the economy are net borrowers, then the public must provide the

The books always balance in that one person's liability is another person's asset. However, on a national basis, things can get out of hand. If too many sectors of the

# Recovery Uncertain At Germany's Banks

FRANKFURT—This has been
a year of difficult and cautious recovery for West German
banks from two of the worst consecutive years in recent memory. and it appears the final nutcome will be uncertain down to the wire at year's end.

For about a week after Oct. 9. when Deutsche Bundesbank cut its special Lombard lending rate to 11 special Lombard lending rate to 11 percent from 12 percent, it looked like the tight money corner bad been turned and the banking system granted its long-awaited relief from fising or steadily high interest rates. Bank shares prospered on the Frankfurt stock exchange, and Westdautsche Landesbank Giro-Westdeutsche Landesbank Girozentrale (WestLB) advised clients in its regular stock market guide to buy banks, at long last.

However, by midmonth, the rumors began, and on Oct. 19, the Bonn government officially conceded that it may have to borrow as much as an additional 7 billion

marks on top of its planned 26.5 hillion-mark net borrowing requirement for 1982. That would leave federal borrowing in 1982 little changed from the high level of

The news disappointed and angered bond dealers. One senior trader at a large bank, who did not want to be named, accused the government of destroying the trust of West German investors in the nation's capital markets. For banks, the news raised the specter of a repeat performance of 1980's write-offs on securities hold-

ings that cut deeply into earnings.

Aside from the twists and turns presented by the opening days of the fourth quarter, West Germany's major commercial banks have shown steady, if modest, progress in adjusting to the interest rate shock of the past two years. Dresdner Bank, which cut its dividend by a third in 1980 to 6 marks per share, and Commerzbank, which dropped last year's dividend entirely after paying 8.50 marks per share in 1979, showed appreciable growth in operating earnings at midvear.

### Volatile Environment

Dresdner Bank's chief executive, Hans Friderichs, recently told re-porters in Berlin that the positive trend had continued through the first eight months, with the bank, continuing to restrain growth of long-term lending because of the risks it presents in volatile interestrate environment

Bank analysts say that the key mistake made by Dresdner and Commerzhank, among the Grossbanken, was underestimating the duration of the Bundesbank's tight credit policy, started in early 1979, while continuing to expand husiness volume by extending long-term, fixed-interest loans in the hope these would soon rurn profitable. Deutsche Bank, West Germany's largest bank, considers itself the happy exception to its competitors, having pursued a conservative lending policy that as-sured loans of all maturities were profitably refinanced by suitable liabilities, mainly low-interest customer deposits.

### Southern Star

The other two major banks have admitted in so many words that their strategy in 1981 has been to follow Dentsche Bank's example. "We are stressing profitability above growth," Dresdner Bank told its shareholders at midyear, while Commerzbank said it had "continued its cautious husiness policy by further curtailing the parent bank's business volume."

The regional and public-sector banks have also had a mixed year to date, with Bayerische Vereinsbank standing out as a southern star in West Germany's

banking landscape. In step with the Deutsche Bank, it increased 1980 earnings 8.5 percent against the stream, and its first-balf interest earnings were up 12.5 percent from half the 1980 total, the stan-

dard basis for comparison. With assets of more than 54 bil-Vereinsbank officials joke that they would be surely ranked as the fourth *Grossbank* if they had a skyscraper beadquarters in Frankfurt instead of carefully restored buildings in central Munich that once belonged to the kingdom of

Meanwhile, several bundred kilometers to the northwest, West I B is in the worry limelight. The bank, partially owned by the State of North Rhine-Westphalia, is asking the state for a 700-million-markplus capital injection at a time when most banks do not even dream of a capital increase. Like many other banks, WestLB took a sharp drop in profits in 1980, and like Commerzbank, it was forced to drop its dividend. But unlike the Grassbanken, Westl.B's miseries continued into 1981 with a 66.9percent plunge in first-half opera-

ting earnings At least some of WestLB's prob-At least some or westers a pro-lems appear to be related to its relatively high lending to public authorities. Such credits offer topauthornes. Such credits offer top-notch security, but seldom the best margins of interest, bank analysts point out. WestLB's other mis-takes, they said, were the same as those committed by other banks, but they seem to have hit WestLB especially hard.

The growing role of government as a borrower increasingly worries West German bankers, who maintain that high budget delicits combined with high interest rates are pushing private business bor-rowers off the market and choking off vitally necessary investment financing for the private sector.

Commerciank, in its fall edition f "Business Notes," published by the bank's economics department, said the total state, local and federal government debt had grown to nearly 500 billion marks by mid-1981, or "two thirds of all indebtedness of public and private enterprise, the classic borrower of funds from outside sources."

"Industry," Commerzbank wrote, "is now finding its forward strategy hraked by the high capital needs of the high interest paying public authorities."

### Dangerous Trend

The chief economist of a large Frankfurt bank said the Bonn gov ernment's admission that it had underestimated its 1982 borrowing requirement is further evidence of the dangerous trend pointed out by Commerzbank. With German business less and less able to finance investments from its own resources as sales stagnate and profits shrink in the current economic downswing, the economist said that bankers are starting to worry that even if 1981 ends well in terms of securities write-offs, 1982 may see increasing numbers

of business loans go sour. "We have seen the write-offs on securities eating away earnings in the past two years," the economist said. "Next year may bring higher write-offs of credits, which so far haven't been significant." He added that it was hard to tell how much loan write-offs would increase, because many businesses will not be fully aware of their plight until the books are closed on

Meanwhile, the Federal Statis-nes Office reported that insolven-cies increased 24 percent in West Germany in the first eight months of 1981, and analysts expect the increase for the year as a whole to be of this magnitude, with little relief

### Overshadowed

The international business of West German banks, dampened during the first quarter of 1981 by a "gentleman's agreement" with the Bundesbank freezing loans to foreign borrowers to prevent capital outflows, has been overshadowed in the rest of the year by concern over the hanking system's exposure in Poland, estimated at about \$4-billion of the \$25-billion total debt to the West. However, a in banker close to the international group of banks managing the rescheduling of Poland's debts maintains that the banks do not expect

any catastrophic developments.

"We are very careful with new, "guaranteed lending, and insisted strongly that Poland continue paying interest to Western banks, so that under our accounting rules, the loans can't be fully written

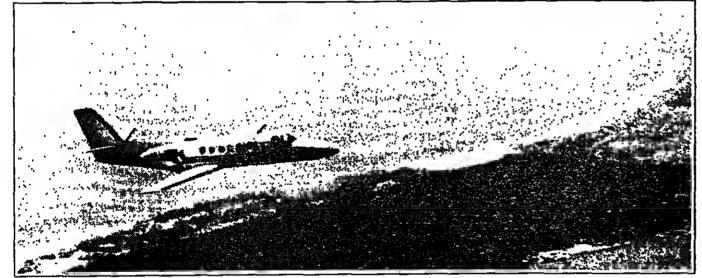
### Nor Worried

Mr. Friderichs recently declared that Poland had met all its interest payments on 400 million marks of credits outstanding from the bank, adding that he was not worried about the loans. Dresdner Bank is acting as international agent in the

rescheduling.

The banker close to the Polish. rescheduling also said there was evidence that Poland's Communist .allies were aiding the crisis-ridden . nation in meeting interest pay-ments by direct or indirect means, a sign that the so-called "umbrella... effect" of munial assistance among the Soviet Union and its East European allies was working.

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# Dresdner Bank Struggles to Deal With Growth

By John Tagliabue

New York Times Service

FRANKFURT — Behind the aging squat sandstone building housing Dresdner Bank's executive offices stands a new 32-story glass-and-aluminum office building, nearly reflecting the bank's recent explosive growth.

Dresdaer, West Germany's second-largest bank after Deutsche Bank, christened the building last year with a big public relations campaign aimed at local critics who said the expansion marred Frankfurt's traditional architectural unity.

Though the bank rejects the aesthetic criticism, its executives would probably agree these days that financially, at least, growth can have its drawbacks.

Last year Dresdner cut its dividend for the first time since World War II, as earnings contracted under the impact of high lending rates, a sluggish economy, mounting risks in comtries such as Poland and the cost of bailing out ailing industrial customers such as AEG-Tele-

and domestic consumption.

further details.

than the expected 5 percent.

"It's hard to name any one problem," said

Philips Confirms Talks With Sanyo

Beatrice, Chinese Agree to Joint Venture

To be known as the Guangmei Foods, the venture will develop export and domestic Chinese markets for canned fruit and vegetables, soft drinks and citrus juices. Beatrice said it expects final government reviews of the venture by early next year and mitial production early in 1983.

EINDHOVEN, Netherlands — A Philips spokesman Monday confirmed that Philips is negotiating with Sanyo Electric of Japan over the sale of the Dutch company's color television plant in Lowestoft, Suffolk,

Philips is cutting production at Lowestoft and concentrating output at its Croydon plant, south of London. The spokesman was unable to give

Tokyo industrial sources said Monday that Sanyo will start production at Lowestoft in August, 1982, with production planned at 60,000 sets a year, Last year, Sanyo closed its color-TV plant in Italy.

**BASF Sees Maintained Profit Level for 1981** 

LUDWIGSHAFEN, West Germany — BASF expects its profits this year to be about the same as in 1980 despite a 16-to-17-percent increase in turnover, Matthias Seefelder, management board chairman, told a

ress conference Monday.

The company reported nine-month results showing a 3.6-percent de-

crease in pretax income on 16.9 percent higher turnover. Mr. Seefelder said turnover has risen because of higher prices and currency gains,

while volume sales growth this year has been only 3 to 4 percent, rather

Nabisco Buys Interest in Mexican Firm

Mr. Seefelder also said the company plans to close permanently a further 10 percent of its annual capacity in standard plastics by the end of this year in response to mounting losses in this sector.

NEW YORK - Nabisco Brands said Monday it had acquired a minority interest in Gamesa, a Mexican food company, for \$45 million.

It said the acquisition gives the company "a substantial presence in a

country whose rapid growth represents an outstanding potential for

NEW YORK — Witco Chemical said Monday it had signed a definitive agreement under which it will acquire Richardson Co., the subject of a

bid by MacAndrews & Forbes Group.

It said the boards of both companies approved a \$27.50-a-share tender offer for Richardson. The MacAndrews & Forbes offer is for \$24 a

Witco said Richardson's board is recommending that shareholders accept the Witco offer. The offer is conditioned upon its acceptance by

more than 51 percent of Witco shareholders. The offer will begin Tues-

LOS ANGELES — First Los Angeles Bank said Monday it signed a definitive agreement for the acquisition of 85 percent of its shares by Instituto Bancario San Paolo, of Turin, Italy, for between \$36.50 and

The banks had previously announced a plan for the merger, which is subject to approval by First Los Angeles Bank shareholders and by U.S.

**Dome Petroleum Unit Sells** 

Western Canada, will purchase a 12½-percent interest in all Hud-

son's Bay Oil & Gas properties in Western Canada, excluding fron-tier lands, Syncrude and the other

oil sands properties.

Dome Canada will acquire a

12½-percent undivided interest in
all of Hudson's Bay Oil & Gas

Co.'s Canadian properties. These include properties in the Western Canada, the Beaufort Sea, the Arc-

tic islands, the East coast, Syn-

crude and other oil sands proper-

ties.
In addition, Dome Canada will acquire a 12½-percent working interest share in 30 million acres of

undeveloped lands owned by Hud-son's Bay Oil & Gas.

Approximately two-thirds of the purchase price will be borrowed on

the scenarity of the Hadson's Bay properties being acquired and the balance will be provided in cash by Dome Canada, the company said.

**COMPANY** 

Oil, Gas Assets in Canada

CALGARY — Dome Petrole-um's Hudson's Bay Oil & Gas Co. subsidiary has agreed to sell about 890 million Canadian dollars (3752

million) in oil and gas properties, the parent company said Monday.

Analysts saw the move as an at-tempt by Dome Petroleum to re-duce its debt, estimated at 4.8 bil-

The sale includes 430 million

ollars in property to Maligne Resources, a subsidiary of Dow Chemical Canada, and 460 million dollars in property to Dome Canada, 48 percent owned by Dome Pe

Dorne Canada said that the cash

flow from the transaction should enhance its ability to carry out its extensive exploration program. "At the end of 1981, after comple-

tion of this transaction, Dome

Canada should have cash and gov-

ernment petroleum incentive grants receivable totaling in excess

Dome Petroleum has asked Citi-bank to arrange a \$1.8-billion

credit package in connection with its bid earlier this month to ac-

quire the 47.1 percent of Hudson's

Bay Oil & Gas that it does not al-ready own for 1.8 billion dollars in

preferred shares. The credit financ-

ing was believed to be secured

gainst the oil and gas properties

Maligne, a participant with

Dome in exploration activities in

of 550 million dollars."

California, Italian Banks Set Merger

Witco, Richardson Agree on Takeover Terms

Hans Friderichs, the bank's chairman. "These things just tend to add up." Though its trou-bles have pushed it into the spotlight, they are hardly unusual for West Germany's banking

For example, the nation's third-largest bank, Commerzbank, recently announced that it would omit the payment of a dividend this year for the second consecutive year.

In the last five years, Dresdner's assets ballooned by 40 percent, to 150 billion Dentsche marks, as the bank expanded domestic business and followed West Germany's export-oriented companies to markets such as Canada, Eastern Europe and the Far East.

Mr. Friderichs acknowledged, however, that the bank's major problem last year was domes-tic. The bank aggressively expanded its credit business in recent years by offering medium-term loans, to be refinanced on what was then a cheap money market. But when interest rates increased, Dresdner - and many other West German banks - was forced to write off losses on large blocks of fixed-interest securities, cutting sharply into earnings.

Thus, despite its growth, the bank announced to shareholders last year that net earnings dropped 26 percent, to 204 million DM. Payment of a truncated dividend, bank analysts said, was made possible only by selling two large blocks of industrial holdings. "Last year's results really shook them awake," one industry official said. "But potting their

house in order will be a long and arduous job."
The bank reported earnings in the first six months of this year of 214 million DM, up 26.5 percent from the same period last year. But analysts said that this excludes sizeable provisions for things such as pensions, leaving the question open on whether Dresdner will be able to pay a dividend this year.

### Industrial Burden

If the bank's industrial holdings have bailed it out on occasion, at other times they have dragged it down. Dresdner is a major shareholder in Telefunken, which has become something of a West German Chrysler Corp.
Two years ago. Telefunken's banks agreed

(Continued on Page 19, Col. 1)



Hans Friderichs ... "We'll continue expanding"

# BUSINESS NEWS BRIEFS Hong Kong's Pao to Merge 2 Holdings In Move to Fund Real Estate Projects

Former Jardine Holdings

What has a very strong balance sheet and has been liquidating some of its low-yielding assets, the

analysts said. However, the com-

pany's return on assets has not

been satisfactory in recent years,

phasize property development. But

Wharf traditionally did not em-

HONG KONG — Hong Kong financier Sir Y.K. Pao announced Monday plans to merge two parts CHICAGO - Beatrice Foods said Monday it signed a joint venture contract with the Chinese to develop food businesses in China for export Beatrice will hold 50 percent of the venture's equity, the rest being split by the city of Guanghzhou and the China International Trust and of his business empire in a move

designed to generate cash for investment in real estate projects. World International (Holdings) Ltd., with one of the largest ship-ping fleets in the world, will be-come a wholly owned subsidiary of Hong Kong & Kowloon Wharf & Godown Co., a property concern.

Though the merger, scheduled to be effective by the end of Feb-ruary, had been widely expected, analysts were surprised that World vas merged into Wharf.

Market analysts said the deal will allow World to reinvest its cash flow from shipping into prop-erty development in Hong Kong rather than back into shipping. Al-though Sir Y.K. Pao has had a pol-icy of long-term chartering, which means it has not been exposed to the spot market, the company has tonnage coming off charter in a very difficult market, they noted.

### Major Development

The two companies said the merger will enable Wharf share-holders to acquire a direct interest in World's floct.

Sir Y.K. Pao, chairman of both companies, said the merger will allow World and Wharf to take advantage of investment opportuni-ties that neither company could take up individually and will facili-tate the implementation of What's substantial property and public transport development pro-

He told a news conference that phase four of Wharf's Harbour since Sir Y.K. Pan took control of the company from Jardine, Matheson & Co. in 1980, Wharf has been City development of nine acres in Kowlonn will cost 3 billion to 5 moving more into this sector, par-ticularly in the form of joint venbillion Hong Kong dollars (\$529 million to \$882 million), and other developments will need a further

At the same time as he took over Wharf, Sir Y.K. Pao forced David The analysts said World has a stronger cash flow than Wharf but Newbigging, chairman of Jardine, to step down as Wharf chairman. added that next year Wharl's in-come will be boosted by the occu-Sir Y.K. Pao his wife and compancy of phases one and three of its Harbour City development.

panies they control hold about 45 percent of Wharf and about 66 percent of World's issued share capital. World and Wharf each hold 45 percent of the other. The Hong Kong Stock Ex-change suspended trading in shares of the two companies earlier in the day. But news of the merger,

coming near the end of the day, was too late to affect the market, Under terms of the merger agreement, World shareholders

(Continued on Page 19, Col. 1)

Hong Kong Securities Aide Vows Firmness

# Mobil Reports Tenders Received For 38% of Marathon's Shares

NEW YORK - Mobil Corp. disclosed Monday that it had attracted 23 miltion Marathon shares - or just over 38 percent of Marathon stock — as of midnight Saturday under its \$5.1-billion takeover offer for the 16th largest

U.S. oil company.

Mobil, the second largest U.S. oil company, is seeking a mini-mum of 30 million Marathon shares and has promised to pay \$85 a share in cash for up to 40 million shares — or two-thirds of Marathon's outstanding stock. Mobil intends to acquire the remaining shares through an ex-

change of securities.

Marathoo stockholders who sent in their shares under Mobil's offer have until Dec. 4 to withdraw their shares. And unless Mobil raises its shares. And unless Mobil raises its offer, analysts say, there is a high probability that many will withdraw their shares following U.S. Steel's bid of \$125-a-share for 51 percent of Marathon stock. The agreement between U.S. Steel and Marathon included arrangements for an ultimate merger of the two companies in a package totalling \$6.3 billion.

The shares tendered under U.S.

The shares tendered under U.S. Steel's offer can be withdrawn up to midnight Dec. 10. The nffer is scheduled to expire Dec. 17. If more than 30 million Marathon shares are tendered before midnight Saturday, the steel maker said it will buy them on a pro-

### Court Challenge

Meanwhile, io Cleveland, Marathon and Mobil summed up their eases in closing arguments in a federal court bearing on Marathon's request to permanently block further purchase of its stock by Mobil.

Marathon claimed that a take-over by Mobil would effectively dimish competition in the industry

Mr. Fell noted two tasks for the commission: The development of a unified Hong Kong Stock Exchange, and the strengthening of the office of the Securities Commission. The new exchange must be a foundation of the work of the Securities Commission, he added.

He said in the use of the market, particularly in takeovers and mergers, there must be equity among all shareholders. Also, when control of a company has a value in itself, the control premi-

Mobil replied that Marathon's said. But he told reporters later cooclusion would lead the judge and others to "the never-never land of speculation as to who would do what to whom and how." In Washington, Marathon repeated its antitrust argument be-

fore a congressional joint com-merce panel. Company vice presi-dent Charles Barre said the U.S. Steel offer to acquire Marathon was welcome because it avoided anotrust problems, would keep the company intact, and entailed a higher price per share.

But Ohin Attorney General William Brown, who already is sung

In blown, who already is saing to block the Mobil's bid for Marathon, told the panel that he is considering possible legal action against U.S. Steel's bid.

There is no obvious anticompetitive effect of the steel company buying the Ohin oil company, he that the study of possible legal action is just starting.

Although U.S. Steel is considered a "white knight" by some for attempting to save Marathoo from the unfriendly takeover by the Mobil, Mr. Brown questioned the steel firm's motives.

"While we're laying off people in Youngstown (steel mills), there's 56 hillion being spent trying to buy an oil company," he said. "That doesn't make sense tn me That [money] builds a lot of steel

Mr. Brown complained that U.S. Steel recently won legislation allowing it to save money on pollution cootrols so it could invest in new machinery to compete better with Japan, only to use its capital now in buy an oil company.

# **Prices on Wall Street** Register Slight Drop

NEW YORK — Prices on the New York Stock Exchange closed lower Monday despite showing narrow gains most of the day as pessimism about the economy re-gained its dominant influence on

the market.

The Dow Jones industrial average, which was up about four points at midday, weakened in the last hour of trading to close off 1.14 at 851,79. Declines edged out advances by an 8-7 margin, and volume fell to 45.25 million shares from the 52.01 million traded Fri-day. Brokers had been expecting a slow week with the Thanksgiving

holiday approaching. Hildegarde Zagorski of Bache Halsey Stuart Shields said the early gains were caused by the same technical factors that pushed the Dow Jones average up 8.18 Friday, rather than any positive background news

Monte Gordon of Dreyfus Corp. said investors are still discounting the recession though bargain hunting and short covering may aid prices for a short period, the market is still in a

Brokers said there was little immediate reaction to President Reagan's veto of a \$427.9 billion emergency spending bill that

### Libya Denies Offering Discount on Oil Price

LONDON — Libya denied Monday oil-industry reports that it had offered the Oasis group of producers — Conoco, Marathon and Amerada Hess — tax concessions amounting to a \$1-a-barrel discount.

Meanwhile, in Rome, industry sources said that Agip, the Italian state-owned oil producer, may be discussing revised terms for its equity share of oil lifted in Libya. Agip phased out contract purchases from Libya in the third quarter of this year but is still taking between 70,000 and 80,000 barrels a day of Libyan oil on an equity ba-

sis, company officials said.

forced an unprecedented shutdown of "oon-essential" government operations.
On the NYSE floor, Marathon

Oil, which soared 29% points last week after agreeing tn a \$6.4 billion takeover bid by U.S. Steel, was active and off 3 to 104%. Mobil has been tendered 23 million shares in its \$85-a-share offer for Marathon.

In corporate news, Zenith Radio directors Monday out the compa-ny's quarterly dividend to 712 cents from 15 cents a share.

Directors of Falconbridge Nickel Mines of Toronto voted Mon-day to omit a dividend for the fourth quarter of 1981. The com-pany paid 50 Canadian cents a share in the previous four quarters. W.R. Grace & Co. said Monday

plans to buy up to 2.5 million, or 3 percent, of its shares in open market or private transactions. UNC Resources is occotiating

to acquire a company in the oil service business with revenue of about \$100 million a year, Keith A. Cunningham, company president, told analysts Monday without naming the acquisitioo pros-

# **Market Closed**

All financial markets were closed Monday in Japan for a local holi-

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# oped, "and in my book creatibility begins with self-regulation," the new commissioner for securities told a property forum Monday. Commissioner Robert Fell said he strongly favors the Hong Kong market economy operating as freely as possible, and thus the question of regulation must be approached with care. Self-regulation is "enlightened self-interest," he said, but no one operating in a market can tolerate falsification or rigging. He promised to step in where necessary. um must be shared by all shareholders, and share-holders should be given adequate time and infor-mation to make their judgment about the merits

Hong Kong Waiting for Bids on Billion-Dollar Bus Stop By Stephen Addison

HONG KONG—A slice of har-bor-front land occupied by two bus depots and an old post office is set to become one of the most expensive pieces of real estate in the world.

the world.

Even by Hong Kong's heady standards, the 140,000-square-foot (13,000-square-meters) site is costly. Analysts estimate it could cost between 5.5 billion and seven billion Hong Kong dollars (3971 million to \$1.2 billion), or 50,000 dollars course foot. lars a square font.

The government is considering tenders for the lot, which adjoins the Connaught Centre on Hong Kong island, up to Feb. 12.

**Building Requirements** 

The town planning board in the British colony has already said the successful bidder must build new

successful bidder must build new bus depots on the ground floor, with two storeys of shops above and "other such non-industrial establishments as the purchaser might propose."

The result is likely to be one of the tallest buildings in Southeast Axia and the most expensive bus stop in the world. Hong Kong's most expensive plot of land currently works out to 26,000 dollars a square foot. a square foot.

Experts feel the sums involved will be too large for a single com-

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pany to raise, given the current the or no sign of waning. Rents for high interest rates. Most feel a prime office space are steady at 28 joint venture between two or more

HONG KONG - The international credibility

of Hong Kong's stock market has to be devel

oped, "and in my book credibility begins with

big developers is likely.

Under the terms of the tender, the development will bouse Hong Kong's new, unified stock exchange. The rest of the office space is certain to be eagerly sought as the island's newest prestige ad-dress with a view of the harbor.

But shops may prove more difficult to rent, property experts say.

"Despite connecting walkways, it
will still effectively be an island,
caught between a busy main road
and the waterfront," said one.

Tenders were to have been invited during the summer but delays arose over working out the com-plex conditions of sale. Since then high interest rates and rising inflation have resulted in prices falling by 20 percent and more in some areas. Some experts say the government will not get as much for the plot as it might have done.

The slump in demand has forced some developers to tempt prospec-tive buyers with special deals. Others are leaving property empty in the hope of an upswing in prices. Major falls in prices are for in-dustrial land in the less sought-af-

ter areas in the New Territories, the mainland section of the colony Demand for both residential and office space in prime areas of the colony, however, has shown lit-

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to 30 dollars a square foot, a three-

In the residential sector, the cost of middle- and lower-priced prop-erty has declined but a fall in interest rates and the projected growth of Hong Kong's economy in 1982 is expected to boost prices.

Property sources underline the importance of the availability of

credit in the previous price spiral and there have been warnings of

**NEW ISSUE** 

In a speech to the Hong Kong Economic Association in September, the colony's Financial Secretary John Reamidge hinted at possible credit control: "If we can contrive a simple and effective system of controlling credit creation. We will consider its introduction to the legislation process."

the effect of a credit squeeze.

tion to the legislative process."

Efforts to restrain credit expansion could have severe repercus-

sions for the property market, a senior investment analyst said.

These securities having been sold, this announcement appears as a matter of record only. NOVEMBER, 1981

# 

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**CURRENCY RATES** 

Interbank exchange rates for Nov. 23, 1981, excluding bank service charges.

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**West Germany** BASF Group



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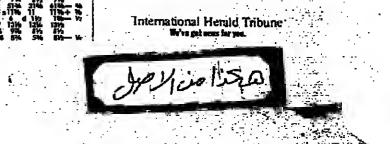
The Associated Press

KINSHASA. Zaire — A contract formally establishing the Aluzaire consortium to conduct a feasability study and eventually build a major aluminum plant in Zaire will be signed here Monday, Minister of Planning Bokana W Ondangela said Saturday.

The project is expected to cost \$1 billion; according to the Swiss-Zaire Economic Center here. Companies from Switzerland, Italy, Norway, the Netherlands, West Germany and Japan are scheduled to join Zaire in the project.

The plans foresee the building of an atuminum electrolysis plant in Inga with an initial capacity of 150,000 metric tons annually, with capcacity growing to 600,000 tons. But officials say that before the plant can be built, a deep water port at Banana must be at least sufficiently developed and the Inga-Banana high voltage electricity line must be completed.

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# RCA: The Long Slide Continues

By Laura Landro

NEW YORK - RCA has had a long fall from favor on Wall Street since reporting a surprisingly large third quarter loss of \$109.3 million, which included a \$150-million writeoff to cover losses at its Hertz, NBC and color TV tube divisions.

But the extent of Wall Street's disillusionment is just beginning to emerge. Analysts who six months ago considered RCA an attractive buy, with earnings expected to grow rapidly after 1981, have not only slashed their 1982 earnings estimates but say they can see oo signs of recovery.

"I can't tell a potential buyer what the opportu-"I can't tell a potential onyer what the opportunity cost of buying RCA stock is now," said Susan Sansbury, who follows RCA for Kidder Peabody. "We don't have any idea how long it will

State - All .

ABHIGHT LOPE

take to turn the company around."

RCA stock is trading in the high teens, down from \$27.50 a share in March, when many analysts still held buy recommendations.

What befuddles analysts is the company's direction under Thornton Bradshaw, who became chief executive officer in July. Under his predecessor, Edgar Griffiths, RCA pursued a major divest-iture program since late 1980, selling such busi-nesses as foods and the manufacturing facilities of its CIT Financial Corp. unit.

### **Exploring Options'**

RCA is undergoing yet another evaluation under Mr. Bradshaw. A study he commissioned from Booz, Allen & Hamilton is expected in February 10 recommend new directions — and no one knows where they will take the company.

Frank Alfieri, RCA's chief financial officer,

will say only that "we are exploring all the options

Ms. Sansbury is worried that "there may be annther, enormous, cathartic redeployment promaking it practically impossible to evaluate RCA's current prospects. Ms. Sansbury has cut her estimate of 1982 earnings to \$2 a share from \$3.25, and Russell Leavitt of Smith Barney

has put 1982 earnings at \$2.40 to \$2.50 a share, down from \$2.80. Mr. Alfieri does not quarrel with these estimates. RCA earned \$3.19 a share in

Already, plenty of problems are clear. Losses are mounting from the costs of its Selectavision videodisc products, and sales have been disappointing. NBC is a mystery; analysts say they have no way of knowing how it will fare in the competitive broadcasting arena.

RCA is also saddled with enormous debt. The parent company debt alone totals \$1.42 billion. Herrz debt is \$1.53 billion, and CIT's is \$8.1 billion. Interest expense at the parent has risen to \$273.8 million so far in 1981, up from \$196.1 million for all of last year. Hertz interest costs doubled in the first nine months, contributing to its \$38-million operating loss. Of RCA's \$150-million writeoff, \$33 million net went for a restructuring at truck rental operations, and Hertz for the first time paid no dividend to the parent. The result was a recent lowering of RCA's credit ratings.

One ray of hope is the current decline in shortterm interest rates, which could help RCA refi-nance at lower rates. CIT, for example, just announced a \$400-million debenture offering.

Analysts disagree on whether RCA's problems may force it to cut its dividend. Mr. Bradshaw has said he will not recommend a cut this December. An analyst with Merrill Lynch said he sees a 40percent chance of a dividend reduction at next March's meeting. Mr. Leavitt of Smith Barney be-lieves that RCA will maintain its dividend.

Mr. Leavitt is encouraged by the steps Mr. Bradshaw has taken so far, such as restructuring Hertz and switching to franchised rather than owned truck-leasing operations.

Nonetheless, he said that investors "continue to be immensely frustrated with RCA." Added the Merrill Lynch analyst, "The downside risk may be gone, but the upside is a long way away."

# Dresdner Struggles With Its Growing Pains

(Continued from Page 17) to reschedule the company's debts and in underwrite and partly accept a new stock issue. Despite that aid, the company is expected to lose nearly 665 million DM this year, after losing 277 million DM last year. Last year, Dresdner was forced to write off its Telefunken shares, costing it 100 million DM. Last week, in a further action, Telefunken's banks agreed to waive capital and interest on loans totaling 240 million DM, about 21 percent of which, or 51 million DM, will involve Dresdner, eating

away at profits. Some of Dresdner's risks in other countries potentially are more serious. Since last year, the hank has led a consortium of Western banks negotiating a restructuring of Poland's debt. Earlier this year, agreement was reached with the Bank Handlowy, the Polish banking partner, on reschedul-ing the 1981 debt, and the agreement is expected to be signed in

December. The Poles owe Dresdner 890 million DM, excluding govern-ment-guaranteed credits, making the bank Poland's fourth-largest West German creditor. Though bank officials tend to play down the Polish risk, noting that interest payments had continued through September, the bank has seen none of the capital, and on its governmust write off part of the loss.

Still, Mr. Friderichs noted that the extent of our loss will be determined by the question whether, and if so, to what extent the West will have to agree next year to waiving some payments of

# Pao Sets Merger Of 2 Key Parts Of His Empire

(Continued from Page 17)

will receive 625 one-dollar Wharf shares and 350 dollars in cash for every 1,000 ordinary shares or convertible deferred shares of 50 cents shares of World.

The deal, involving 583 million Hong Kong dollars in cash, will also require Wharf to issue 411 million new shares and an additional 1.02 billion dollars of warrants to retire outstanding World

Based on Friday's closing price of 6.35 Hong Kong dollars for a Wharf share, the proposal values World's issued share capital at about 7.2 billion Hong Kong dol-

it values World shares at 4.32 Hong Kong dollars each, a gain of 22.5 percent from Friday's 3.525 dollars but far short of their listed net asset value on March 31 of

World forecasts net profit for the year ending March 31, 1982, will be at least 445 million Hong Kong dollars, of which the attribu-table proportion of Wharf's profits is 114 million dollars. In addition net extraordinary profits of 128.4 million Hong Kong dollars have been realized in the current year, it

Wharf has forecast 1980 taxed profit before extraordinary items of at least 300 million Hong Kong

World estimates its consolidated net assets at Sept. 30, excluding its 45 percent share holding in Wharf, at about 2.95 billion Hong Kong

# 250 Jobs Will Be Cut By CII-Honeywell Bull

PARIS — CII-Honeywell Bull, the French-U.S. data processing concern, said Monday that it intends to reduce its present work force by about 250 before the end of next year.

The company said the reduction will be offset by the integration on Jan. 1 of 250 employees from a factory at Joné-lès-Tours, which is being bought from a subsidiary of Philips.

A Cli-Honeywell Buil spokes man said the reduction in the number of jobs from the present level would be carried out through attritinn and offers of early retirement.

capital," an eventuality that grows more likely as Poland's economy

stumbles from crisis to crisis. The current problems are not the first financial setbacks the bank has faced in its history. The bank was founded in 1872 by a group of bankers in Dresden, then the capital of the kingdom of Sexony. In its early years, the bank rode the boom that followed Ger-many's 1870 unification and the payment of huge war indemnities by France following the Franco-

Twice in its history, after World War I, when it lost almost all its extensive foreign network, and after World War II, Dresdner had to start from scratch. In 1977, the bank's chairman, Jurgen Ponto, was murdered by terrorists.

Mr. Friderichs, at 50 a lively and engaging man who took over the bank's helm in 1978 after five years as the country's economics minister, said the bank lost about two-thirds of its branches after World War II because of Germamy's division and the loss of its exusive eastern territories to Poland and the Soviet Union:

Poor profitability is not the only reason for the return to slower growth rates. To escape bank regu- going to be slower."

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lations that limit the volume of loans to 18 times a bank's basic capital, Dresdner led a parade of big West German banks into Luxembourg in the late 1960s, where they established thinly capitalized offshore operations that quickly

developed vast loan portfolios. Now, West Germany is scrambling to catch up with other Western European countries by intro-ducing legislation to mandate consolidated balance sheets for banks. The legislation was promised by Chancellor Helmut Schmidt's government when it was re-elected last fall. Although the legislation is bogged down, the Bundesbank earlier this year elicited from the banks a commitment to begin voluntary consolidation, and Dresduer executives said they began as of Sept. 30.

Dresdner executives acknowledged that the bank is overextended, though they will not say by how much, and that it will have to trim its loan volume.

"We'll continue expanding," Mr. Friderichs said. "but with moderation, only nominal growth. Naturally the rate will depend on the growth of the world economy, and we assume here that growth is

### U.S. Panel Sees '82 as Year of Wage-Demand Moderation By Damon Stetson ly be on," said Andrey Freedman of the Conference Board, an inde-Several economists agreed Sunday with the panel's assessment the coming year. New York Times Service that wage demands and increases

LEGAL NOTICE

"Attention certain purchasers of Santa Fe International Corporation ("Santa Fe") common stock or opioins to purchase Sortia Fe common stock during the period September 21, 1981 interes is presently pending, in the United States Distinct Court for the Southern District of New York, on action entitled Seatritists and Exchange Commission v. Certais Unknown Purchasers of the Carmson Stock of, and Call Options for the Cornson Stock of, Santa Fe International Corporations, et. al., 81 Civ. 6553 (WCC), ofleging volations of Section 10(b) of the Seatrities Exchange Act of 1934 and Rule 10bS thereunder by certain purchasers of Seatra Fe call options and common stock during the period September 21 through October 1, 1981. The action seeks a permanent impurction and the disporgement of profits or the return of any unsold stock or options as to each purchaser seferations. As present, certain of the proceeds, stock and options are fracen at banks and brokeroge firms in the United States. Among finate named as defendants are customers of the Geneva affice of Credit Seises who purchased October 25 Sontia Fe options on September 29, 28, or 29, 1991 or January 25 Sonta Fe options an September 29, 28, or 29, 1991 or January 25 Sonta Fe options an September 29, 1981; austomers of the Seises Manufacture and Propins on September 29, 28, sonta Fe options on September 24, 1981; austomers of the Zurich office of Cribans, N.A., who purchased January 25 Sonta Fe options on September 29, 1981 or October 25 Sonta Fe options on October 1, 1981; and austomers of Chase Manharton Bank (Switzerland) who purchased January 25 Sonta Fe options on September 29, 1981, also named as defendant or existences of the General office of Credit Susses who purchased Sonta Fe common stock between September 21 and 29, 1991.

If you are in any of the categories of purchasers identified above you are a defendant in the action by Jourusy 15, 1982 or a sudgment of default may be entered agoint you. If a

the above entitled action and are required to submit an answer or enter on apper the action by January 15, 1982 or a judgment of default may be entered against default is entered, you will lase any manies, stock or options now frozen in the

NEW YORK - Collective bargaining settlements in U.S. industries that historically have set wage patterns in the United States are expected to be "very moderate" next year and are unlikely to exert the influence that they have in the past, according to an annual fore-cast by the Conference Board.

lo the report, which was released Sunday, the panel of 10 labor experts from industry, unions and education predicted that firstyear wage settlements would increase an average of 8 percent next year, compared with first-year increases of 11.5 percent from January through September of this

"The economic brakes will clear-

PARIS - Governments should

use a variety of approaches - in

addition to monetary policy - in

the fight against inflation, Alexan-dre Lamfalussy, assistant general

manager of the Bank for Interna-

tinnal Settlements, said Monday.

Speaking at the conference on

the management of inseign ex-change risks sponsored by the In-ternational Herald Tribune and

Forex Research, Mr. Lamfalussy suggested that governments try to "defuse inflationary expectations, promote competition and have re-

"Expenditure-restraining mone-

tary policy is unavoidable if we

want to put an end to inflation and

so are its costly effects in terms of lost employment and lost real in-come," he said. "But surely we should seek to alleviate this social

cost by trying to speed up the pro-cess of dismilation."

The BIS official suggested that

governments could better "defuse"

inflationary expectations by send-

ing more signals about interest rates and credit shortages in addi-tion to the practice of holding

money supply growth to conserva-

On the promotion of competi-tion, Mr. Lamfalussy said that "as-

course to incomes policies.

pendent, nonprofit business research organization, and chairman of the panel. "Moderation in wage demands will not spring from job competition from the growing ranks of the unemployed, but from efforts by employers to cut labor costs. The coming year will be marked by wage freezes and reduced labor forces in many indus-

The historic "wage leadership" of such industries as automobiles steel and trucking in establishing a general target for union bargainers has disappeared, she added. It has been replaced, she said, by a new sensitivity to company performance and a new perception of the need to be competitive.

**BIS Aide Urges Variety in Inflation Fight** 

tries, encouraging cartel agree-

ments, enforcing minimum prices, raising tariff barriers or otherwise

limiting imports are all measures in direct conflict with an effective

anti-inflationary policy."
He added that fiscal policies

must be consistent with monetary

would be more moderate among major unions oext year. Otto Eckstein, the chairman of

Data Resources, a major economic forecasting concern, said, however, that the decline in wage increases was not because of some unusual cost-cutting by business but was coming from the effects of the economic slump that has been increasing memployment

He said that some major indus-tries such as automobile and construction would still be in "bad shape" and that union demands would be moderated because workers will be "scared for their

Anthony Downs, a senior fellow at the Brookings Institution, a pri-vate economic research institute in Washington, said that wage settlements in major industries would be lower hut that it was hard to predict what the level would be.

He added that, because wages represented two-thirds of the gross national product, a drop could have a major impact on slowing the rate of inflation. That could lead to lower interest rates and a decision by business to expand through capital investment, he

One of the panel's members,

would no growth in productivity in Robert Neylan, vice president for employee relations at Gould Inc. an Illinois maker of electrical and industrial products, suggested that weak economic growth in 1982 would keep wages down and stiffen resistance to wage increases be-cause, with declining sales, busi-oess would be unable to recover cost increases through higher pric-

> William W. Winpisinger, president of the International Association of Machinists, expressed the view that wage leadership was a thing of the past as far as the automobile and steel industries were concerned. But he said defense contracts would fatten the aerospace industry.

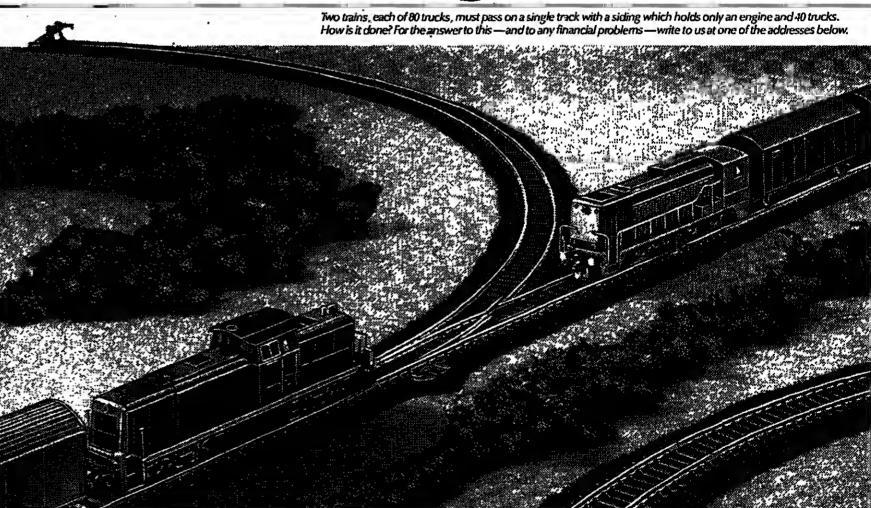


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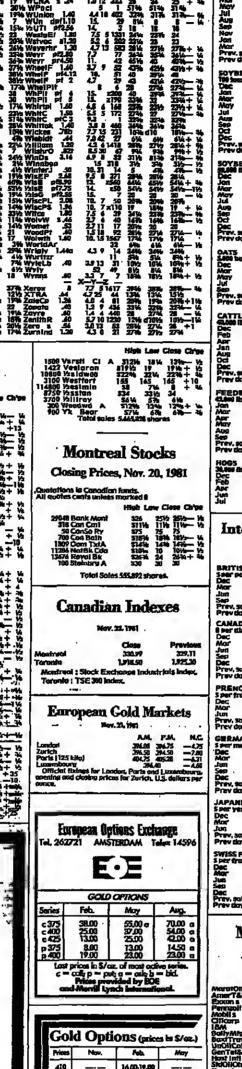
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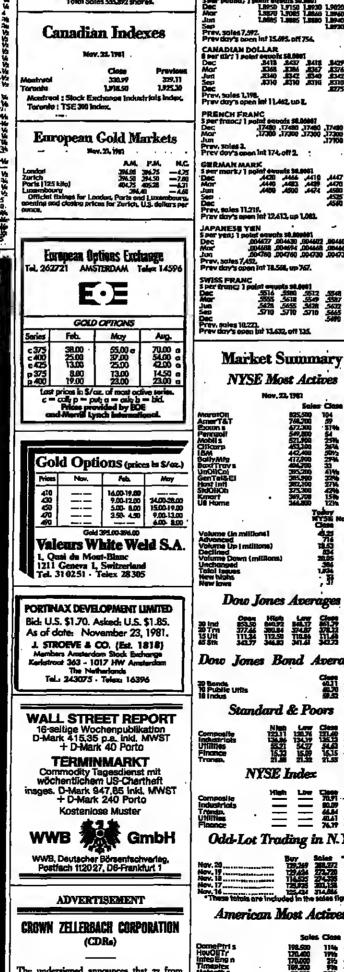
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Chicago Futures

NYSE Nationwide Trading Closing Prices Nov. 23 **Toronto Stocks** Closing Prices, Nov. 20, 1981 ADVERTISEMENT GUEST, KEEN AND NETTLEFOLDS LIMITED (CDRs) aber 1981 at Kas-Associati 50 shares, will be payable with 9,18 (re Interim dividend for the nding 31st December 1981) 4, p.

**Montreal Stocks** Closing Prices, Nov. 20, 1981 Total Sales 555,892 shares Canadian Indexes **European Gold Markets** AMSTERDAM DEPOSITARY n, 17th November 1981. European Options Exchange 202721 AMSTERDAM Toles I GOLD OFTIONS May Aug. 70.00 54.00 42.00 14.50 23.00 38.00 25.00 13.00 8.00 19.00

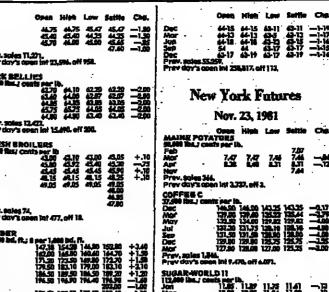




undersigned announces that as from a November 1981 at Kas-Associati

N.V., Spuistmat 172, Amsterdam, div.ep.no. 31 of the CDR's Crown Zel-lerbach Corporation, each repr. 5 lerbach Corporation, each repr. 5
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COMPANY N.V.



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International Monetary Market

**London Commodities** 

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Dow Jones Averages

Standard & Poors NYSE Index

American Most Actives

AMEX Index

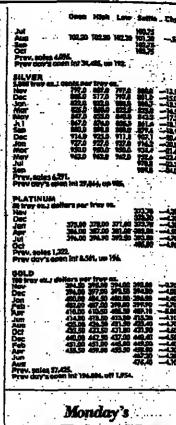
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Commodity Indexes Nov. 23, 1981

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Per. Amet Pey. Rec. Q .40 1-29 1-8 STOCK

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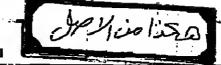
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# **Other Stock Markets**

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Nov. 23, 1981 (Closing prices in local currencies) Amsterdam

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# **Floating Rate Notes**

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IT'S REALLY IRDNIC

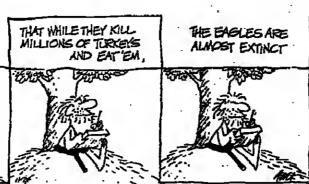
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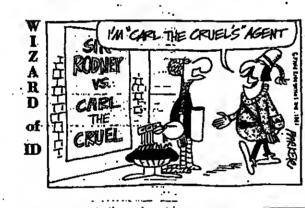
















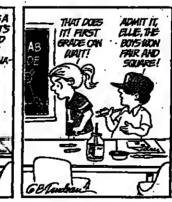


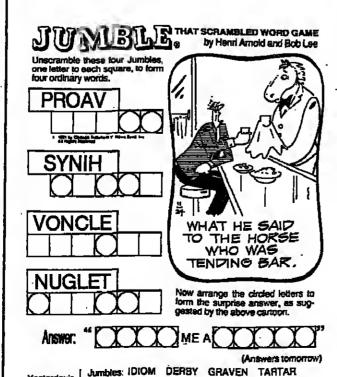






DENNIS THE MENACE





Imprimé par P.I.O: -1; Boulevard Ney 75018 Paris

Answer: The card game the captain should stick to— "BRIDGE"



'And another inneresting thing about being President... WHEN YOU DIE THEY MAKE DIMES AN PENNIES OUT OF YOU!" **BOOKS** 

REINBART'S WOMEN

By Thomas Berger, 295 pp. \$13.95.

Delacorte Press/ Seymour & Merloyd Lawrence Books, I Dag Hammarskjöld Plaza, New York 10017.

Reviewed by John Leonard.

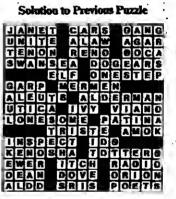
THOMAS BERGER sneaks up on the reader. He seems to have scrubbed down the English language to some quizzicality. A sentence seems to be asking itself what it means, and what is omitted. Of course, Reinhart .... who has been around American lit-erature as long as John Updike's Rab-bit (this is the fourth of Berger's novels through which he has puzzled his way) ---- plays with words. We are told, though: "Real feelings exist all the same. Words really do stand for something, after all, but maybe it's not always what you expect." An entire book of such words and sentences looks surprisingly like a Mondrian, all straight lines and primary colors, a grid that trembles.

Breeking Eggs

Why should we care about Reinhart, this 54-year-old six-feet-plus of words and intimations, this embodiment of flummoxed decency, this intrepid loser? He has failed at Europe an history, at marriage, at the real-estate business and at cryogenics; one of his old friends from "Vital Parts," the late Splendor Mainwearing, is still on ice. Surely he will fail at father-hood and on television, as an early morning chef, breaking eggs. Surely the egg is symbolic, and Reinhart is cracked.

We care --- I do, anyway --- because Berger sneaks up on us with a civility that is almost heroic. The old words are better than the new ones. There is much in the modern world that Reinhart finds incomprehensible, like junk food, shopping malls, under-ground garages, motels, the '60s, his son Blaine and women. He has, in fact, flunked women. He knows, as Virgil has pointed out, that "there are tears in things." He would prefer, however, to be "in cahoots" rather than to "hang in there," alone, or to drop out. That "nobody had expired of shame in a good century" says to him something pejorative about the century. Shame is an aspect of civility. And so he has taught himself to be an excellent cook, fixing meals that no one will eat.

His daughter won't touch his food. When we last met Winona, she and Reinhart were watching television and cating popcorn, and she was fat. She is now skinny enough to be a model who pays for their apartment-with-a-view, while Reinhart cooks and cleans. Winona is having a lesbian affair with a business executive, Grace, on whom Reinhart himself had designs. Reinhart's daughter-in-law, Mercer, is going crazy from drink, and her husband. Blaine, is even nastier than Rabbit's son, Nelson, in the latest Updike. And Reinhart's awful former wife, Genevieve, reappears to propose remarriage before staging a nervous breakdown. We have a Mon-



drian stew, or chili con carne and pomary emotions

Grace gets Reinbart a job demon-strating how to prepare gournet meals in a supermarket, which leads to a couple of minutes on a television program during which an aging actor dies of a heart attack. Mercer shows up naked in Reinhart's bathroom and behind the wheel of a car. Blaine tries to stuff Reinhart in a commune run by Splendor Mainwearing's son, Raymond, who used to be Captain Storm

of the Black Assassins. Meanwhile, I haven't mentioned Marge, who runs a restaurant out of town, nor Edith, a young neighbor of Reinhard's, nor Helen, who acquaints him with motels, nor any of the television bubbleheads who would make him a star. It often seems that Reinhart is the only straight line in a crooked society, and he seldom leaves the kitchen.

After having revised himself in four novels, Reinhart sticks to his last, his novels, Reinhart sticks to his last, his ribs. Cooking food is specific to human beings. Other species might think; how do we know? They might grin; consider a cat. We sione cook the food we est just as lovers feed on one another; passion is devouring, and philosophers live on food for thought, until we ourselves are consumed by microbes of "the crab named cancer." Reinhart, being nibbled on, takes offense when people tell him fancy food sickens they stotell him fancy food sickens their stomachs: "It was humanity's way to suspend the rules of courtesy when speaking of food or art."

Is this profound? Perhaps. Reinhart refuses any more to accept insults. Home on the grange, he feels for the first time in half a century that he is neither "charlatan or buffoon." Having learned a trade, he has also acquired some principles: "I'm not in the irony game anymore, believe me. I'm too old for it." And: "I don't ever make fun of anybody." And: "When the state of the sta your adversary is at last at your mer-cy, he is no longer the proper object of revenge." Finally: "Food is really kinder than people."

He will form his own commune. will consist of those who understand in cahoots, that "no one understands the pressures on anyone else, irrespective of sex" and who love food. Enough of dying Ialls, "Reinhart's Women" ends with a dying accent. Berger, having exhausted such popular forms as the western, science-tiotion and the detective novel, is full of marvelous self-help. It is as if Reinhart were to say to Beckett's Malone: "Eat; you'll feel better, I cer-tainly did."

John Leonard is on the staff of The New York Times.

### Designer Cardin Opens **Peking Display Boutique** United Press Intern

PEKING - Pierre Cardin opened a display boutique Saturday on the grounds of the Temple of Heaven, the first such foreign endeavor in China. Firecrackers and Western music socompanied the opening of the shop, which displays Cardin fashion and other signature merchandise but does not sell them. Cardin said plans are under way to open a shop in Peking in the near future. "The intention is to open more shops where goods will be available for the Chinese public at a very good price," he said.

# BRIDGE

A SLIGHT disappointment for the spectators at the world team championships now in progress in Port Chester has been the failure of Port Chester has been the failure of the Polish team to bring any of its players who use a "strong pass" sys-tem. Since such methods force the players to open the bidding with all weak and medium hands, the Poles may find themselves suffering heavy penalties. Against that, they create to-tally unfamiliar situations for the op-ponents who will seldom have a free ponents, who will seldom have a free run when they have strong hands.

In compensation, the spectators have been able to see two British pairs using exotic methods. Tony Sowter and Steve Lodge employ a weak-orstrong pass some of the time. When they are not vulnerable, a pass — as dealer or in second seat — shows either a parameter of 6 pairs or a rejuite of a pass in the second seat in the seat ther a maximum of 6 points or a mini-mum of 17 points.

Even more weird is the system used by John Collings and Paul Hackett, which might be called an average-pass system. A pass in first or second posi-tion shows exactly 9 to 12 points, a range that occurs slightly more than one-third of the time. When their hand is not strong enough to pass, they bid one club, although that is not necessarily weak. It is a three-way bid which may turn out to be a normal

NORTH AK5 OAQJ1075 WEST 4643 VAQ1052 V43 ♦986432 ♣J10976 ♣KQ54. SOUTH(D) **♦ Q 109872** ♥ K J 987 ♦K

Both sides were ding: South Pass 14 West Pass Dbl. Pass Dbl. Pass Pass 34 34 4N.T. Pass Pass Pass Pass 60

West led the club jack.

By Alan Truscott opening or a flat hand with 20 to 23

The diagramed auction would seem slightly odd to a standard bidder. Why would South not show his hearts at his third turn? And how can North afford to continue beyond game when his partner appears to be very weak?

The explanation is that North and South were Hackett and Collings, playing in a match against Hungary in the 1981 European Championship. The original pass by South showed 9 to 12 points: With any weaker hand, he would have opened one club. The auction permitted West to show length in the unbid suits with a take-out double, an action he would later regret.

regret.
North's five-diamond bid was an asking bid, and six diamonds a suggestion for a final contract. But Collings had no hesitation in reverting to spades, for which his partner had indi-

spades, for which his partner had indi-cated support.

The club jack was led and won with the ace in dummy. The spade ace was cashed, and the jack appeared, obvi-ously a singleton. The routine play at this point was to cash the diamond king, planning to draw trumps ending in dummy and then run diamonds.

But Collings had a significant clue from the bidding. West had shown length in clubs and hearts, and appeared to have begun with three spades. That left him with at most a singleton diamond, and a void was unite likely. quite likely.

So, at the second trick, Collings simply led a heart from the dummy and was in full control. With any return he could maneuver to ruff a heart high in the dummy and draw trumps. Eventually, he would overtake the dia-mond king and emerge with six trump tricks, one ruff and five tricks in the minor suits. The only slight risk was that East held the heart are together with six diamonds, in which case no

line of play could succeed.

In the replay, North-South also reached six spades, but there was no revealing bidding from the opponents.

South won the club lead, drew two rounds of trumps with the ace and queen, and attempted to cash the dismond king. West happily ruffed and cashed the heart ace for down one. Spare a year for the Hungarian de-clarer who went down by failing to allow for a 6-0 diamond break. It is

not even clear that he was wrong he theory, for the safety play would cost him one international match point 66 times for every time it saved him f7.

H Russians Jorda Consum

# Baseball, Nature's Way

NEW YORK - American intellectuals from Billy Martin to the science of baseball with vary-

ing results. Perhaps they are too close to the subject, unable to see the forest for the trees. Consequently, it is a blessing to view the subject briefly from the detached standpoint of the distinguished British scientific journal, Nature.

The following was written soon after the Los Angeles Dodgers defeated the New York Yankees for the fourth consecutive time, thereby winning the baseball championship of North America, not counting Cincinnati and St. Louis:

The city of New York has had s bad week. The leading article in last Thursday's New York Times was understandably entitled, 'The Shape of New York's Shame' Oddly, however, the newspaper was castigating the city council for a piece of flagrant but routine ger-rymandering with the city's elec-toral boundaries, incurring as a result a reproof from the courts.

"But ... the shame hanging over the city was the humiliating defeat the previous evening of the city's most prosperous baseball team, the New York Yankees. In the process, the Yankees also lost the best-of-seven competition between North American baseball teams quaintly known as the World Se-

### It's Called a Bet'

"[The] defeat was all the more galling because the Yankees were soundly beaten by the Los Angeles perause the Yankees were Dodgers, within living memory resident in Brooklyn and much resented for their defection. The gloom is yet another proof that something must be done to reform spectator sports in which the ob-ject is to hit a ball with some solid object, in baseball called a 'bat.'

"At least to a first approxima-tion, the interaction of a baseball and a bat is a soluble two-body problem. The bat in baseball is a simple object, cylindrically symmetrical about an axis, while the complication arising because some ball-throwers (called 'pitchers') claim to be able to throw 'curveballs' is irrelevant to last week's disasters because both teams appear to have been incapable of hit-

ting them. "Moreover, since baseball officials have taken to measuring the speed with which individual baseballs are delivered, there is a wealth of empirical data on which a proper mechanics of baseball might be founded. Speeds of up to 40 meters per second are recorded. "The difficulty of baseball is,

pear to be able to hit one fair ball in three, but usually even the best players appear at a loss to know whether the ball will shoot high in the air (in which case it may be caught and they will be dismissed). vertically downward into the ground or upward and backward,

"Only occasionally, perhaps half dozen times in several hours, does the ball perform as every batter hopes, carrying over the boundary fence for a home run.

Thus, it appears, baseball has become an elaborate game of chance. In this year's World Series, there seems to have been little to

### RED SMITH

formance of the two teams. Part of the reason the Yankees lost is that they were not as skilled at catching and throwing the ball as were the

"It is a matter of great impor-tance to devise some way of ridd-ing baseball of the luck on which it depends, and which is a simple consequence of the circular cross-section of the baseball bat. Is there a place in baseball for the

"Even New Yorkers will agree, however, that the most serious cause of the Yankees' defeat was the evil chance that attended one of the crucial decisions by the team's manager, Mr. Robert Lemon. The issue was complicated by the requirements of this year's rules for the World Series that the pitcher, the man who throws the ball for his team should also take

his turn with the bat.
"At a point halfway through
[the] last game, Mr. Lemon exercised his right to replace his successful pitcher, due to bat, with somebody reputed to be more skilled at hitting the ball but who

promptly failed to do so.

Yet if the gamble had succeeded, the Yankees would have gained three runs and the Dodgers would have been too demoralized to sus-

tain the struggle.
"What will happen now to Mr. Lemon, who works for an owner so hot-tempered that he had to watch [the] game with his hand in a cast after a fist fight in a Los Angeles elevator, remains to be seen. Wisely, he has been keeping his own counsel.

"But is it not demeaning, and in-tolerable, that grown men's careers and the temper of a great city should be determined by the apparently random trajectories produced by trying to hit a baschall first, that of hitting the ball and, with a cylindrically symmetrical second, that of knowing where it bat?"

up with the contenders, except for

two mistakes on the rings, on

which be carried a disappointing

9.25 after registering the day's highest mark with 9.95 on the parallel bars.

One of the upsets was the failure

of East German Roland Bruckner,

well down in the standings after posting a low of 9.40 in the floor exercise — in which he holds the

Olympic, World Cup and Europe-

The United States, third behind

the Soviet Union and Japan in 1979, was happy with its position. "We did not expect to get as high

marks here, but we did well," said

of the University of California, Los Angeles. "It was a consistent performance and I am really hap-

The women's competition starts

Tuesday with the compulsory exer-

cises. The Soviet Union expects to

recapture the team title from Romania, which will be without

Nadia Comaneci. She decided to pass up the competition but is in Moscow as a spectator.

**NBA Standings** 

EASTERN CONFERENCE

py with the whole tcam."

ssistant coach Makoto Sakamoto

an titles.

# Titlist Russians Gain Edge In World Gymnastics Meet points and Li Ning of China was

MOSCOW — The defending 10th with 58.20. early edge Monday in the men's team and individual competitions after the compulsory exercises on the opening day of the 21st World Gymnastic Championships.

A Maria de la

The Russians held a two-point lead over Japan in the race for the team title and took over the first four places in the combined individual standings. The leading 36 will qualify for the finals.

The Soviet squad, spurred by a partisan crowd of 17,500, logged 293.60 points to Japan's 291.50 and seemed likely to repeat its 1979 triumph in Fort Worth, Texas, when it unscated Japan, which had won the title five straight

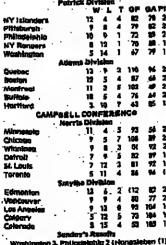
East Germany was in third with 290.20 points, ahead of China (290.00), the United States (286,70), West Germany (286.10), Bulgaria (285.55), France (385.15), Hungary (284.90) and Romania

(284.60). Yuri Korolev's 58.95 points led the individual standings, with So-viet teammate Alexandr Ditiatin, the world and Olympic champion. second at 58.80. Bogdan Makuc (58.75) and Alexandr Tkachev (58.70) were third and fourth in a

strong Soviet showing. Korolev, European silver medalist earlier this year, scored 9.90 for the vault, 9.85s on the floor and pommel horse, 9.80s for the rings and parallel bars and 9.75 for the horizonal bars.

The top four were followed by Noboyuki Kajitani of Japan (58.55), Urtur Akopian of the So-viet Union (58.35) and East German Michael Nikolai (58.30). Roji Gushiken of Japan and Fei Tong of China shared eighth with 58.25

# NHL Standings



Woshington & Philosolphia Z (Houseseeven 11), Maruk 115(, Voientine (1); Piochhort (4), Barber (11)).

Geobec & Basien 1 (Core 2 (4), Frycar 3 (8), M. Stoniny (16)) Pork (3)).

N.Y. Islanders 7, N.Y. Rassers 2 (Toreeli (7, Trottler (4), Gilles (7), Nysfrom (5), Suiter 2 (4), Kritur (4), Fourier (4), Voience (3), Winnings S, Sz. Lauts 4 (Wilson (2), Howenchuk 2 (12), Small 0 (9); Suiter 2 (18), Pettersson 2 (21).

HOCKEY SY, LOUIS-Recoiled Nell Labor name from Sail Lake City of the Cent solo 1; Chicago 1 (Ciccorelli (13); Mis-Administra : Miller (5), Pompine (10).

Colorede S. Vencouver 5 (8: Asilier (5), Pemose 2 (5), Asilier (5), Tembellah (10); Busta (1), Beldirev (12), Williams (4), Accordin (1), Ulin-



what they want to see.

"Everybody tells me they love

I'm doing.
"Besides, a man's got a right to
do what he wants even if he hurts

It is less than two weeks to his on-again, off-again, on-again comeback fight and, quite improbably, he is beginning to look like Smokin' Joe again. Almost. He has thickened with time, and

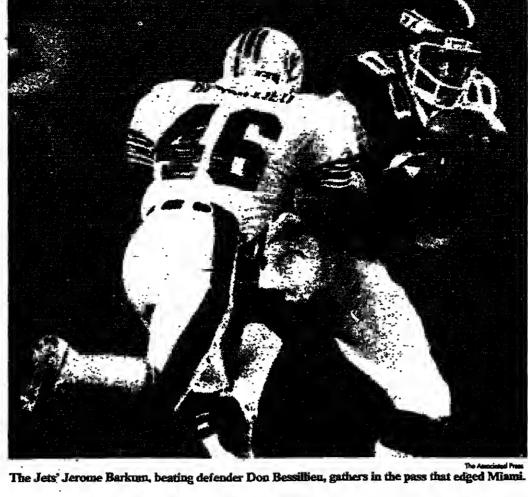
the thickness is covered with layers of fall Some layers have been removed in the last few weeks as the training has become more serious, and the feared left hook, only a whisper two weeks ago, is shouting Gushiken could have been well again as he grunts his way through orkouts.

He has come down from 240 pounds to 229 and wants to weigh in at 222 for his Dec. 3 fight in Chicago against Jumbo Cumm-ings. He was 205 ½ when he de-feated Muhammad Ali 10 years

He does not see that he is older and slower, only that he is older and better. No one can tell him otherwise. Not the Illinois State Athletic Board, which has granted him a license to box even though it does not want him to. "You can't tell people what to do." said Nick Karasiotis, the board's executive secretary.

Frazier's wife Florence hasn't convinced him not to fight again. So she will be in Chicago "praying to God he don't get hurt." And even the advice of his old friend and trainer, Eddie Futch, has gone unheeded.

It was Futch who, in 1975,



# Frazier, Training for a Comeback, pitcher, the man who throws the ball for his team, should also take his burn with the bat. Battling His Age and Entourage

ry one of us thinks we can do things we used to do," he said.

Bruce Wright, Frazier's longtime

lawyer and adviser, said his oppo-sition to the comeback has led to

an estrangement. "I remember Joe

sitting in the corner of the ring in Long Island [against Foreman],"

Frazier was sitting in a daze on the canvas in the Nassau Colise-

um. Foreman was standing above

him, a knockout winner over Fra-

zier for the second time. Ali also

beat Frazier twice. Frazier was un-

defeated against the rest of the

Nn Requiem

Wright said.

New York Times Service PHILADELPHIA — On one wall of the clean, well-bighted gym, the exposed brick is covered with blown-up photographs of Joe Frazier's memorable career. On the opposite wall hangs a series of mirrors, in front of which the boxers skip rope and shadowbox, seeing

In these spotless mirrors, Frazier sees the memory of a heavyweight champion who, at the age of 37 and after a five-and-a-half-year retirement, is convinced he is what

me and don't want to see me get burt," he says. "I love me. I'm not about to get me hurt. I know what

The television networks, which have refused to buy his comeback, haven't been able to dissuade him either. "We don't want a requiem for a heavyweight," said NBC box-ing advisor Dr. Ferdie Pacheco, who was dismissed from Ali's corner when he advised Ali to retire

four years ago.

Frazier will get only \$85,000, for the fight plus \$15,000 in training expenses. He readily concedes that

Cummings is a once-beaten club fighter of size and strength but little boxing skill. For a while, Frazier's comeback appeared imagi-nary. First it was Scott LeDoux, then it was Monte Masters; now it

"Is this boxing, wrestling or skating?" Frazier asked about the current crop of fighters. "They aren't hitting each other. After 10 rounds, there are no cuts and no blood. I don't call that boxing. I want to give the fans their money's worth.

Frich has seen it with former fighters. "These old-timers sit back and see these kids and naturally they know more about boxing than they do," he said. "But they forget they're past the point of no return. It's a matter of split seconds, the difference between slipping a punch and getting hit by it. And when you're 22 or 25 or 27, if you

CHAPT

... In his prime.

5 7 0 248 271 ATT

do get hit, it takes just a couple of seconds to recuperate. As you get would not let Frazier out of the corner for the 15th round against Ali in Manila. Futch also is the older, the body functions slow man, who, in 1976, threw in the towel on Frazier's last fight, against George Foreman. The comeback makes Futch sad. "Eve-

Pacheco said 35 was the maximum age at which a man should be allowed to fight. "I would glad-ly sacrifice the few golden moments of watching Sugar Ray Robinson and Archie Moore fight after that," he said, "not to see any of the guys marching around at the age of 50 or 60 with thickened brains and raspy voices."

Frazier has passed a stringent preliminary physical, including a brain scan and tests on his heart and his often troublesome blood pressure. The Illinois board will give him another physical five days before the fight.

Three years ago, when Frazier was talking about trying again, Futch was surprised to discover that "Joe had a few lights left." But that was aborted when Frazier came down with hepatitis. This time, Futch bas not been invited back because he is against the

"But I'd like to be in a position to protect him," he said, "in the event he got in trouble."

Fronce.
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EXPERIENCED FRENCH LADY TEACHER to teach the wife French and buby her 3 year old daughter.

AFINCO S.A.

# Jets Rally to Defeat Dolphins

From Agency Disputches
NEW YORK — Quarterback
Richard Todd's 11-yard touchdown pass to Jerome Barkum with 16 seconds to play and the extra point by Pat Leahy, who had al-ready kicked three field goals, gave the New York Jets a 16-15 National Football League victory over Miami Sunday and propelled them into a first-place tie with the Dolphins in the American Conference

Playing despite a fractured rib, Todd drove the Jets 77 yards in 10 plays for the winning score after

### NFL ROUNDUP

Uwe von Schamann had given Mi-

ami a 15-9 lead with a 23-yard field goal with 3:10 left. Todd, who completed 21 of 38 passes for 203 yards on the day, threw 9 times in the 10-play drive that enabled the Jets to stretch their unbeaten streak against the Dolphins to eight games. It was New York's fourth victory in a

"I stood on the sidelines crying after we scored," said Todd. "It was like a dream." He wore a specially designed flak jacket to pro-tect the rib he broke in last week's victory over New England.
"On the final drive, the offen-

sive line was keeping them out." Todd said. "It was great I just hit whoever was getting open.
It's a good feeling to be in first

Trailing 6-0 early in the second period, the Dolphins scored 12 points before halftime on Tony Nathan's 4-yard touchdown run, a safety when Todd was tackled in his own end zone and von Schamann's 46-yard field goal.

### Chiefs 40, Seahawks 13 In Kansas City, Mo., Bill Ken-

nev threw for two touchdowns and rookie Billy Jackson scored twice swamped Seattle, 40-13.

49ers 33, Rams 31

In Anabeim, Calif., Ray wersching kicked his fourth field goal of the game as time expired, boosting San Francisco past Los Angeles, 33-31.

Wendell Tyler had plunged 1 yard for a touchdown with 1:51 remaining to put the Rams on top, 31-30. completing a complact

31-30, completing a comeback sparked by quarterback Pat Ha-den. But 49er quarterback Joe Montana then completed passes good for for 54 yards in the winning drive.

Los Angeles led 17-10 at halftime but the 49ers surged back in the third quarter on a 92-yard kickoff return by Amos Lawrence, a 35-yard field goal by Wersching and a 25-yard interception return for a touchdown by Ronnie Lott. After Lott's score, which made it 27-17, Haden replaced Dan Pasto-rini and guided the Rams on an 80-yard toucidown drive in 9

plays climaxed by his 2-yard scor-ing pass to tight end Walt Arnold. Wersching put San Francisco ahead, 30-24, with a 32-yard field goal with 10:10 remaining, but the Rams took the ensuing kickoff and drove for what looked like the winning touchdown.

### Chargers 55, Raiders 21

In Oakland, Calif., Dan Fouts set a club record with six touchdown passes - Kellen Winslow tied an NFL mark by catching five of them -as San Diego buried the Raiders, 55-21. Winslow tied a single-game

record set in 1950 by Bob Shaw of the Chicago Cardinals. Cardinals 35, Colts 24

In Baltimore, Ottis Anderson ran for 130 yards, going over the 1,000-yard mark for the third straight season, and scored two touchdowns as St. Louis handed the Colts their 11th straight loss,

The Cardinals broke a 7-7 firstperiod tie when Dave Andrews intercepted a Bert Jones pass and ran 14 yards for a touchdown.

### Lions 23, Bears 7

In Chicago, Eric Hipple ran for a touchdown and Ed Murray kicked three field goals as Detroit breezed past the Bears. 23-7. Chicago was held to 24 net yards, the lowest output in franchise history.

### Cowboys 24, Redskins 10

In Arlington, Texas, Danny White threw scoring passes of 28 yards to Butch Johnson and 10 yards to Doug Cosbie to lift Dallas past Washington, 24-10, snapping a 4-game Redskin winning streak. The losers were handicapped by

the loss of halfback Joe Washing-ton, who rushed 12 times for 84 yards and caught 3 passes for 47 yards in the first half. He suffered a torn rib cartilage near the end of the second period and did not re-

# **Edmonton Nips Ottawa** For 4th Title in a Row

MONTREAL — Dave Cutler's 27-yard field goal with three seconds remaining gave the Edmonton Eskimos a 26-23 Grey Cup victory Sunday over the Ottawa Rough Riders. The winning kick capped a 25-point second-half surge that gave the Eskimos a record fourth straight Canadi-

an Football League championship.

Trailing at halftime. 20-1, Edmonton struck for third-quarter touch downs by quarterback Warren Moon and Jim Germany. Cutler's field goal came after Moon dove over from the 1-yard line at 10:55 of the fourth quarter and then hit Marco Cyncar for a 2-point conversion that ned the score, 23-all.

The vietory wiped out gutsy performances by the Rough Riders, who were 22½-point underdogs, and their rookie quarterback, J.C. Watts, who was named the game's outstanding offensive player.

Edmonton had tried to win the game with a single point — a unique CFL scoring method — when Hank Ilesic punted into the Ottawa end zone with 1:22 remaining in the game. But the Rough Riders ran the ball

out of the zone, thus denying Edmonton the point.

Then, instead of trying to run out the clock (there is no sudden-death overtime in the Grey Cup; instead, the teams play two 10-minute periods), Ottawa came out throwing. After Watts failed on two straight passes, Ottawa was forced to punt and Edmonton began its winning drive from the Rough Rider 51 with 1:22 to play. Moon completed a nine-yard pass before three running plays gained 18 yards and set up

In the first period Moon was only 1-for-6 passing, with 2 intercep-tions. Tom Wilkinson took over in the second quarter and completed 10 of 13 anempts, but could put only one point on the board - a missed field-goal attempt that sailed out of the end zone for a single.

Ortawa, its 5-11 regular-season record being the worst record ever for Grey Cup team, stunned the Eskimos early. The Rough Riders took the opening kickoff and, riding Watts' passing, marched to two quick field goals by Gerry Organ.

With the much-maligned Rough Rider defensive secondary giving Moon fits, Watts engineered another first-period drive that culminated in fullback Jim Reid's blasting over from the 1-yard line for a 13-0 lead. Ottawa running back Sam Platt added a 14-yard touchdown run in the second quarter. Germany's two-yard TD run in the third period started the Edmooton comeback. Moon, who completed 12 of 21 second-half passes, kept the ball himself for a short-yardage touchdown that pulled the Eskimos to

A 28-yard field goal by Organ stretched Ottawa's lead to 23-15 at 6:38 of the fourth quarter, but Moon then hit on three straight passes for 75 yards before again scoring from the Eskimo 1 and completing the 2-point conversion pass to Cyncar.

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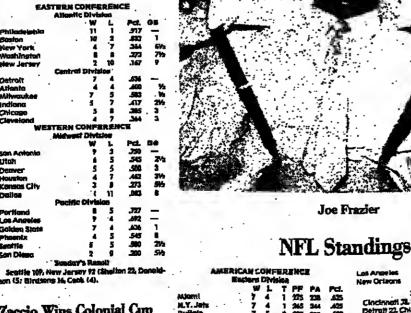
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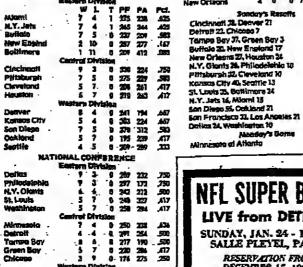


Zaccio Wins Colonial Cup

Denver Houston Consos City

United Press International CAMDEN, S.C. — Heavily fa-vored Zaccio, biding his time through most of the race, moved from next-to-last in the backstretch Sunday and surged into the lead with one burdle remaining to win the 12th annual Colonial Cup steeplechase by II lengths. French-trained Al Arof finished second, three lengths ahead of defending champion Sailor's Clue.

Transactions



Joe Frazier

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RESERVATION FROM DECEMBER 15, 1981.

# Checkbook Journalism

WASHINGTON - A Japanese newspaperman came into my office the other day. bowed deeply, and said, "Forgive me for this awkward intrusion, but I am doing a story for a newspaper in Tokyo about Richard Allen and the Nancy Reagan interview."

"Ah so," I said, "I would be most honored to answer any of your questions."

"What do you personally think of this situa-

"I would prefer not to comment on it," I replied, "until the Justice Department finishes its investi-

He smiled and gave me a white envelope containing \$100 in cash.
"Ah so," I said, smiling back.
"But I cannot accept a bribe for granting you an interview." 'It is not a bribe," he said indig-

Buchwald

amily. It is a tradition in my country to give a small gift of appreciation when someone grants an interview."

"Why didn't you say that in the first place?" I said. I called in my secretary and told her to put the envelope in the safe.

"Do you feel," he continued,
"that someone in high position in office should accept a gift from a newspaperman for arranging an interview with the first lady of the

"Mr. Allen expected nothing but he has great respect for your tradi-tions and would do anything not

### Gandhi Film Planned For Release in 1983

New York Times Service LOS ANGELES — "Gandhi," Richard Attenborough's \$22-million movie biography of the Indian leader assassinated in 1948, has been purchased for worldwide distribution by Columbia Pictures after three months of negotiation. 'Gandhi" will be released at

Christmas, 1983, in capital cities across the world, including New Delhi and Washington. The movie, which is three hours long, stars Sir John Gielgud, Martin Sheen, Candice Bergen, and Ben Kingsley — a half-English, half-Indian actor as Mohandas K. Gandhi.

to insult you. When Mr. Reagan took office the first thing he said to his foreign policy advisers was, Under no conditions do I want anyone in my administration to offend the Japanese."

The newspaperman smiled and handed me another white envelope. He looked at his notes. "What do you think Mr. Allen in-tended to do with the \$1,000?"

"He says he intended to give it to charity. "Why didn't he?"

"Because he forgot about it.
You must understand, Mr. Allen is the president's national security adviser and he forgets very easily. One day he says a certain country is a threat to the United States and then he forgets all about it."

"Am I taking up too much of your time?" he asked. "Heck no," I said. "Not as long as you keep passing over white en-

"Mrs. Research knew nothing about the arrangement?" "Mrs. Reagan doesn't even remember being interviewed by the

Japanese magazine."
That means she must be very unhappy with Mr. Allen?"
"Well, she's not working on a
needlepoint pillow for him for
Christmas this year."

The Japanese newspaperman was writing furiously. "I don't want to offend you," I said, "but you forgot to give me another white envelope."

"Ah so," he said. "A thousand pardons."
"It's okay. But we Americans aren't used to answering questions

"One final question. Is it your opinion that Secretary of State Al Haig is happy or unhappy about the way things are going for Mr.

"He looked very disturbed the last time I saw him on television and I couldn't tell whether it was because of Mr. Allen or Nicara-

The Tokyo oewspaperman handed me my last envelope.

As soon as he left I called Tom
Brokaw and said, "The next time you want me to do the Today show it's going to cost you 10 big

"But that's checkbook journalism," he cried.
"Ah so."

© 1981, Los Angeles Times Syndicate

# Tales of the Mississippi

An Englishman Discovers America in a River Voyage

By James T. Yenckel Woshington Post Service

WASHINGTON —"I hadn't VV bargained for such an adventurous life," says Jonathan Raban, at the moment safely hunkered over a bourbon and water (no ice, please) at the Watergate Hotel bar.

In only a few hours two years ago, though, this Englishman had "faced a storm, been nearly drowned in the dark and held at gunpoint," recorded in "Old Glory, An American Voyage," an ac-claimed account of his 1979 solo iourney down the Mississipi in a 16-foot motorboat.

He packs his pipe. "I'm a kind of genuine coward," he says. "As a child, I hated rugged sports like football. I knew if you got close to the ball, you'd get kicked."

The voyage "was totally out of character for me. I'm not mad for the out-of-doors. I'm a sedentary city person, totally depend-ent on the amenities of an apartment in a big city."

Having had no previous experience on the Mississippi, "I didn't recognize there was any danger. I assumed boats are much like small cars. I can drive a car; I assumed I could drive a boat. I was wrong."

The 2,000-mile odyssey from Minneapolis to the Gulf of Mexi-co, was an adventure dreamed of by a 7-year-old lad reading "Huckleberry Finn" on the banks of a stream by his father's Anglican church in Norfolk.

Early into the nearly fourmonth adventure, a drenching af-ternoon squall had sent him scurrying for safety on the lowa shore. By sunset, though, the wind calmed, and he decided to chance his first nighttime run down-river to a warm room and dry clothes in Burlington.

Suddenly, a spotlight half-blinded him. A siren's blast warned him he was in the path of a fast-approaching tugboat. The sound was "as queerly, then scarily, intimate as the cough of a stranger in one's bedroom." The high wake caught him

broadside, nearly capsizing him and leaving him shin-deep in water. "Blubbering with shock," he beached cautiously at the lighted yard of a run-down wooden cab-

Inside, Raban saw two elderly women and a man. Banging on the glass door, he watched as the man slowly picked up a shotgun and leveled it at his chest. "I yelled that I was traveling down the river, I was English, I

help. Finally, the trio fed him coffee and cookies and drove him to town "where I fell in a heap on the hotel bed in my clothes."

had run into trouble, I needed

Fear and Excitement-

Because he is a coward, says Raban, the trip was made all that much more exciting. "One likes the things one fears. It gives you the edge of fright, and fright reminds you you're alive. . . "I'm 39. I love the idea of

A slight man of average height, he is dressed comfortably in blue cords and a windbreaker. A neatknotted tie and narrowbrimmed corduroy hat give him the air of a grown-up pixie. Reviewers have praised his

learning things late. It's so easy to get ossified."

seemingly easy ability in "Old Glory" and in his 1979 book. Arabia, A Journey Through the Labyrinth," to meet and mingle with exotic types, from Yemeni card players to Knights of Colombus in Wisconsin. These encounters he captures in short, of-ten sensitive but sometimes devastating portraits that have helped him win a reputation as a

premier travel writer.

It is somehow troubling, though, that this ostensibly charming guy can write so harshly about many of the unsophisti-cated chizens of the bleak river towns who befriended the forcign visitor. In Minnesota, a lockmaster offered him a room for the night. His reward is this description of his wife:

"She looked like a retired lady wrestler. Slack-jawed, her eyes hidden behind the thick lenses of her glasses, she filled her outsize stretch pants to the last stitch. . . . A comedy show was running on the screen. When the audience laughed, Beverley paused in her popcorn eating, gave a perfunctory cackle and said, 'Furny, huh?' to me without moving her eyes from the TV. . . Beverley and I were oot hitting it off."

No wonder, as he points out,

some critics are suggesting they would have been happier now if he had sailed by without stopping. "Unfortunately for us," wrote the Davenport (Iowa) Quad City Times reviewer, "the British writer stopped here and sentenced us to 19 pages."

And Sally, the Sr. Louis wom-

an he moved in with for a bit antil marriage threatened, was until recently "on my tail . . . I was terrified." Back in the United States for a month to film Mississippi footage for television, "I had Simon & Schuster [his pablisher call her. They did my dirty work for me.

"She was wounded, she told them. So I rang her up, and we had dinner. We made up, and all her wrath changed. Her mother read the book, though, and told her 'He's got you to a T.' Now she's mad at her mother.

"How are you going to report life," be offers, "if you report it as a series of wonderful people? Some people are repulsive. Some are lovable. The book is subjective. It is how one sweaty traveler happened to find the people on his travels. "If there's a real villain in the

book, it's the person represented by me — the villain, the victim and the hero. My own justification for writing satirically is that came out worse off."

He has been, perhaps, slightly stung by reviews that suggest he hit every bar up-river and down. You put into port after 70 miles on the river. Your hands are shaking because you've encoun-tered boils and whirlpools and tug washes. Who in his right senses wouldn't hit the first bar? "I tried to spend a corresponding time in churches. I'm an agoostic, but I love theology - not so much as it touches God, but as it touches the insides of man. I like the language m which theology is phrased. It is so much more

articulate than psychology."
He acknowledges that "mine is very, very much the writer's trip. If at the end there was no book m it, I might have been sitting in Londoo regretting wasted time. It wouldn't have been significant to me - except as an amazing kind of error."

So far Raban has kept his mood bight, bantering. Bot at one point, he turns serious: "I watched Resgan on televi-



Traveler Raban: "Fright reminds you you're alive."

sion last night," having been asked to do a newpaper piece on the president. "America has nevemed to me a foreign country, until now.
"My first experience with

America was being 3 in Norfolk with an American air base at one end of town and a German pris-oner camp at the other. The Americans were bigger and pinker and drove by in armored cars, chucking out candy. My mother wouldn't let me stay in the street where I wanted to be begging

"We studied French culture in school. American culture was a gift. It came on you in the form of Coke and Elvis records. I formded a Bill Haley fan club.

That America, I thought in a vicarious way I had become a citban attempts to light a miniature pipe, finding one more thing about the United States that irritates him: "These American book matches don't stay lit long

enough to start a pipe."
His humor restored, he warns that "Old Glory" shouldn't be taken too literally. He has "shaped" the stories, recollecting conversations "in tranquility." Consider it, rather, "an autobiographical novel" structured as the passage of life; Minneapolis is youth. Muscatine, Iowa. is adscence. St. Louis and Sally are marriage. New Orleans is maturi-

For him, it is particularly important to get a proper American inflection into his writing about this country. So he jots down random conversations and slang call the pitch of the voice.

# PEOPLE:

East German Author Is Honored by West

Anna Seghers, a Communist guthor whose record includes a novel that became a best seller in the United States during World War II, was awarded the honorary citi-zenship of a West German city at her home in East Berlin. The award was from the city of Mainz. where she was born as the daughter of a Jewish art historian 81 years ago, The Christian Democrats in the Mainz city council did not vote for it and the honorary citizenship was decided by a ma-jority vote of Social Democrate and Free Democrats. Seghers has been a member of the German Communist Party since 1927. She fled Nazi Germany in 1933 and went to Mexico. Her novel "The Seventh Cross" was published in New York in 1942 and became a best seller. Two years late, it was turned into a film directed by Pred Zinnemann and starring Switzer Tracy. Sealest returned to Campany in 1947 to the Soviet seem of Berlin. She has remained in East. Oermany ever since. Making Marian Jocel Fuchs traveled to East Borlin to present the award.

In a rare public appearance, Russian-born philosopher Ayn Rand called the people of her homeland "bullies" to be dealt with strongly, but said President Rungim was not the man to do it. The 76-year-old author told 4,000 delegates to the National Committee for Moneary Reform in New Orleans that "most of the miserable Russians would defect" if there was a war between the United States and the ident Reagan is not able to do."

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